

A Historic Year

1929

Saskatchewan Power Commission established and begins operating its first generating station.

1930

Over 1,600 kilometres of transmission lines constructed to serve 95 communities.

1949

Newly created Crown – Saskatchewan Power Corporation – given mandate to begin rural electrification program.

1959

First centralized generating stations commissioned (Boundary Dam and Queen Elizabeth).

1961

Rural electrification nearly complete, with 58,000 farms connected by 90,000 kilometres of single-wire line.

1963

First hydroelectric station opens (E.B. Campbell). New Head Office opens in Regina.

1969

A subsidiary – North-Sask Electric Ltd. – is created to enhance service in Saskatchewan's North.

1985

Third power utility in Canada to use fibre optic technology, which links the new Nipawin Hydroelectric Station with the Codette Switching Station.

1992

New Shand Power Station wins award for advanced environmental design.

2000

First Canadian electric utility to achieve ISO 14001 environmental certification.

2002

Cypress Wind Power Facility commissioned.

2004

SaskPower celebrates 75 years of service.

Our Strategic Direction

Vision: Excelling in competitive energy markets.

Mission: We deliver power in a safe, reliable, cost-effective and environmentally responsible manner.

Values: We are committed to respect, integrity and openness in all we do.

About SaskPower

SaskPower operates three coal-fired power stations, seven hydroelectric stations, four natural gas stations and one wind facility with an aggregate generating capacity of over 3,050 megawatts (MW). The Corporation also has purchase agreements with the Meridian Cogeneration Station, Cory Cogeneration Station and SunBridge Wind Power Project. Total available capacity is approximately 3,500 MW. SaskPower maintains more than 153,500 kilometres of power lines, the most extensive network in Western Canada.

Generation

Hydroelectric

- 1** Athabasca Hydroelectric System - 23 MW
 - Wellington (5 MW)
 - Waterloo (8 MW)
 - Chariot River (10 MW)
- 2** Island Falls Hydroelectric Station - 101 MW
- 4** E. B. Campbell Hydroelectric Station - 288 MW
- 5** Nipawin Hydroelectric Station - 255 MW
- 10** Coteau Creek Hydroelectric Station - 186 MW

Natural Gas

- 3** Meadow Lake Power Station - 44 MW
- 7** Landis Power Station - 79 MW
- 8** Queen Elizabeth Power Station - 386 MW
- 11** Success Power Station - 30 MW

Wind

- 12** Rushlake Creek Wind Power Project - 150 MW
(under construction)
- 14** Cypress Wind Power Facility - 11 MW

Coal

- 15** Poplar River Power Station - 562 MW
- 16** Boundary Dam Power Station - 812 MW
- 17** Shand Power Station - 279 MW

Independent Power Producer

- 13** Meridian Cogeneration Station - 210 MW
- 9** Cory Cogeneration Station - 228 MW
- 6** SunBridge Wind Power Project - 11 MW



Transmission

- 230 kV
- 138 kV
- - - 138 kV line operating at 72 kV
- Switching Station
- ↔ Interconnection

IN 2004, SASKPOWER SET
A STRATEGIC COURSE
FOR ANOTHER 75 YEARS
OF SERVICE EXCELLENCE
WITH A NUMBER OF
IMPORTANT INITIATIVES.

A new instantaneous peak load of
2,954 megawatts (MW) is recorded
at 5:55 p.m. on December 20.

A centralized Corporate Safety
Department is created at SaskPower.

Construction begins on a 150-MW
wind power project near Rushlake
Creek in southwestern Saskatchewan.

An international mercury emissions
capture project begins demonstrating
an activated carbon injection system
at Poplar River Power Station.

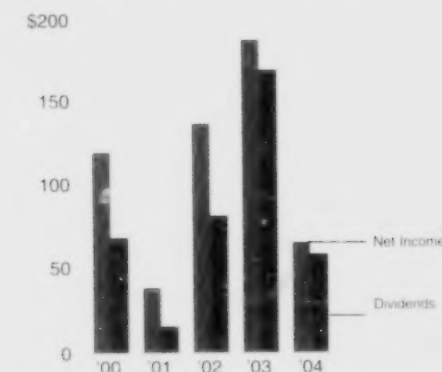
Extensive rebuild and life extension
projects costing over \$46 million
continue at Boundary Dam Power
Station, Poplar River Power Station
and Nipawin Hydroelectric Station.

Multimillion dollar improvements
carry on across the system with
substation enhancements, in addition
to the replacement of wood poles,
transformers, and communication,
protection and control equipment.

A workforce profile helps to develop
diversity targets for the Corporation.

Three projects are selected for the
first year of the Environmentally
Preferred Power (EPP) Program.

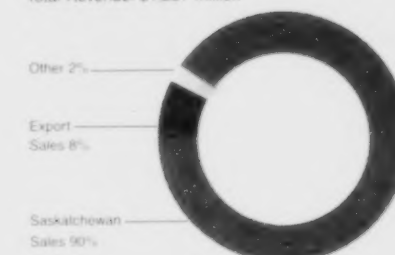
Net Income and Dividends (in millions)



Over the last five years, SaskPower has declared \$395 million in dividends payable to the Crown Investments Corporation.

2004 Revenue

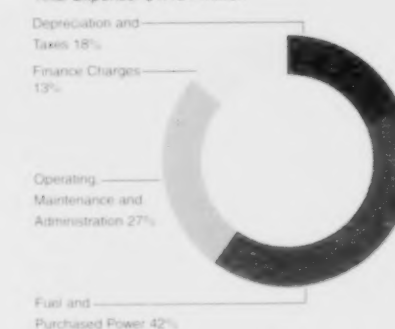
Total Revenue: \$1,257 million



Saskatchewan electric sales account for the majority of the Corporation's sales revenue.

2004 Expense

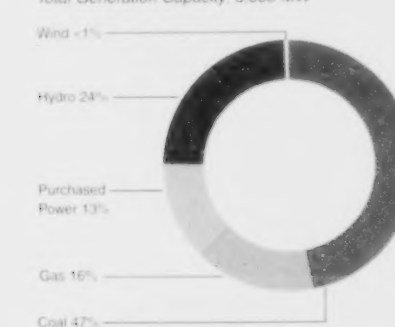
Total Expense: \$1,194 million



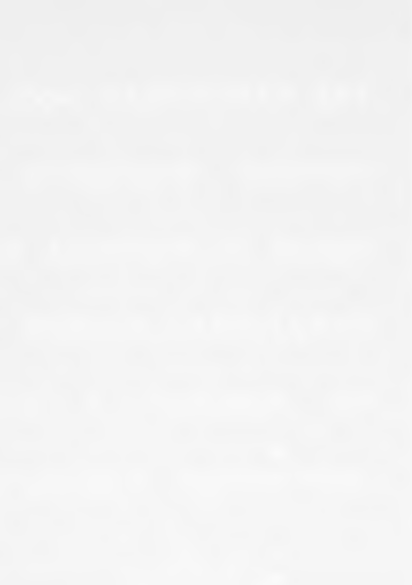
Fuel and purchased power costs are SaskPower's single largest expenditure.

2004 Generation Capacity (net MW)

Total Generation Capacity: 3,505 MW



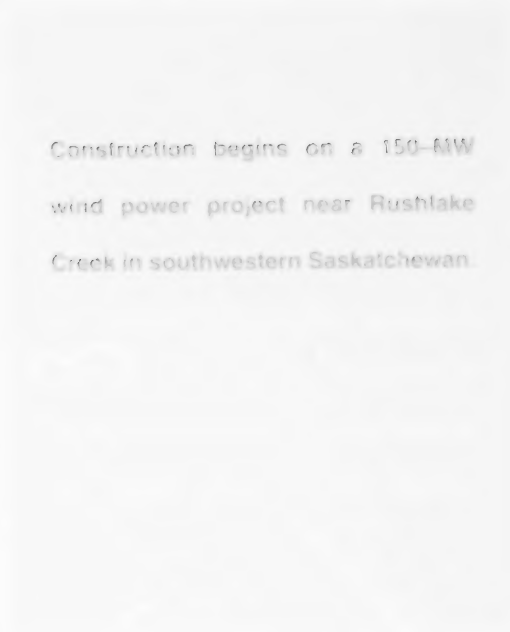
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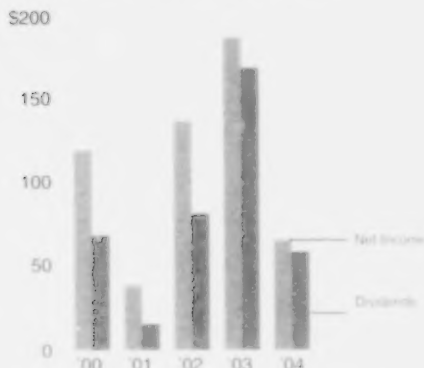
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Net Income and Dividends (in millions)



Over the last five years, SaskPower has declared \$380 million in dividends payable to the Crown Investments Corporation.

2004 Revenue

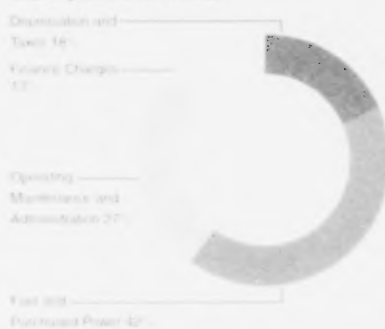
Total Revenue: \$1,257 million



Saskatchewan electric sales account for the majority of the Corporation's total revenue.

2004 Expense

Total Expense: \$1,194 million



Fuel and purchased power costs are SaskPower's single largest expenditure.

2004 Generation Capacity (net MW)

Total Generation Capacity: 3,505 MW



Coal-fired stations provide the bulk of SaskPower's generating capacity. However, natural gas and wind power are becoming significant sources of generating capacity.

Financial and Operating Highlights

Consolidated Financial Results

(in millions)

	2004	2003	Change
Revenue	\$ 1,257	\$ 1,243	\$ 14
Fuel and purchased power	500	502	(2)
Operating and financing expenses	694	668	26
Income before foreign exchange gains and equity investment income	63	73	(10)
Foreign exchange gains	3	113	(110)
Equity investment income	—	1	(1)
Net income	\$ 66	\$ 187	\$ (121)

SaskPower Subsidiaries' Net Income

(in millions)

	2004	2003	Change
SaskPower International	\$ 1	\$ 2	\$ (1)
NorthPoint	7	6	1

Financial Indicators

(in millions)

	2004	2003	Change
Dividends	\$ 59	\$ 169	\$ (110)
Capital spending	301	267	34
Long-term debt, net of sinking funds	2,041	1,771	270
Return on equity ¹	4.8%	13.6%	(8.8%)
Debt ratio ²	58.2%	56.5%	1.7%

1. Return on equity = (net income) / (average equity), where average equity = [(total equity at year end + total equity at previous year end) / 2].

2. Debt ratio = (debt) / (debt + equity), where debt = (long-term debt + short-term advance + current portion of long-term debt - cash and short-term investments).

Operating Statistics

(GWh)

	2004	2003	Change
Saskatchewan electric sales	16,894	16,749	145
Export sales	1,538	1,761	(223)
Total electric sales	18,432	18,510	(78)
Gross electrical energy supplied	20,382	20,326	56
Losses and internal use	(1,950)	(1,816)	(134)
Net electrical energy supplied	18,432	18,510	(78)

One GWh is equivalent to the energy consumed by 125 typical houses in one year.

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Minister's Letter



Regina
March 2005

To Her Honour
The Honourable Dr. Lynda Haverstock
Lieutenant-Governor of Saskatchewan
Province of Saskatchewan

Madam:

I have the honour to submit herewith the Annual Report of Saskatchewan Power Corporation for the year ended December 31, 2004. This report includes the financial statements for the year in the form approved by the Treasury Board, duly certified by the auditors of Saskatchewan Power Corporation, all in accordance with *The Power Corporation Act*.

I have the honour to be, Madam, your obedient servant.

A handwritten signature in cursive script that reads "Frank Quenrell".

Frank Quenrell, Q.C.
Minister Responsible
SaskPower

Chair's Message



In the run-up to Saskatchewan's centennial, it is appropriate that SaskPower marked its own anniversary year. From a historical perspective, the creation and integration of a province-wide electric system is very much representative of the unification and emergence of our province. As with Saskatchewan's unique journey, SaskPower's story is rich with tales of leadership, sacrifice and vision.

Acting as stewards of a company with such an important and proud heritage is something the Board of Directors takes very seriously. During the year, we continued to work within an extensive framework of corporate governance practices designed to ensure a high degree of accountability and transparency. The Board also reviewed the existing governance structure in place across the Corporation.

Using the appropriate processes, we once again teamed with senior management in reviewing and monitoring SaskPower's strategic course, operational performance and financial results. This year marked the beginning of the public release of quarterly financial results in an effort to improve transparency and accountability. In addition, the Audit and Finance Committee of the Board, as well as the entire Board of Directors, regularly review the financial results of the Corporation with management and external auditors.

While the Corporation's vision and mission statements serve to set long-term direction, strategic priorities and short-term objectives are developed and measured annually within a balanced scorecard. In 2004 we focused on four identified strategic priorities: building excellence in customer service delivery; developing SaskPower's people; promoting environmental stewardship; and ensuring sound financial management. In order to position the Corporation for long-term stability, it is imperative that expenses are managed prudently, especially Operating, Maintenance and Administration costs.

A significant capital expenditure for SaskPower continues to be customer connects. Historically, SaskPower has provided an extraordinary level of service and the Corporation will continue to strive to remain responsive. In light of this responsibility, SaskPower must add assets and upgrade facilities to increase capacity, maintain and enhance reliability, improve services and mitigate environmental impact. The expenditures associated with these activities are balanced with the need to maintain fair and equitable rates and an appropriate rate of return for our shareholder, the Province of Saskatchewan.

In addition to this being a corporate anniversary year, it was also the fifth anniversary of Systems, Applications and Products in Data Processing (SAP) at SaskPower. This powerful software system is streamlining processes by bringing together and making accessible real-time information from all of SaskPower's core business activities. This year, the Board received an update about SAP benefits in the Transmission and Distribution business unit. The challenge of implementing SAP continues throughout the Corporation, but we are seeing significant benefits and advancements, especially evident in areas such as Power Production. Our Privacy Management Action Plan is also an important recent development. The training of permanent employees in the awareness and safeguarding of personal information is now underway, while the education of part-time staff and contract personnel will follow.

One of the highlights of 2004 was a Board of Directors outreach meeting hosted by the Prince Albert Grand Council. We were able to meet with representatives from several First Nations, a valuable opportunity as we develop an Aboriginal relations strategy dealing with customer service, recruitment and development issues. A new survey of customers in northern Saskatchewan – conducted in Prince Albert and communities as remote as Stony Rapids – will also help to direct our future actions.

The distinctive background and expertise of our board members are important factors in helping ensure the interests of all SaskPower stakeholders are served effectively. This year we welcomed Sarah Gauthier, an engineer-in-training, Cheryl Bauer Hyde, a registered financial planner, Lyn Kristoff, a chartered accountant, and Michael Mehta, an associate professor of sociology. I offer thanks to departing members Lynne Pearson, Keith Rissing, Janet Wightman and former Chair David Barnard for their exemplary service. I would also like to recognize the important work of departing President John Wright in further strengthening the SaskPower legacy. I am looking forward to working with President Pat Youzwa and experiencing the unique talents she brings to her new role.

As always, the Board of Directors expresses its appreciation to all SaskPower employees, past and present, for their efforts in preserving the confidence and trust of our customers.

A stylized, handwritten signature in dark ink, appearing to read 'Patricia Quaroni'.

Patricia Quaroni, LL.B.
Chair

President's Message



During my first year as president and CEO, it has been an opportune time for me to reflect on our company's inspirational history. And with a proven 75-year reputation for providing an exceptional level of service to our customers, we are committed to maintaining this tradition into the future. Today, our mandate is really no different than it was in 1929. We are focused on reaching each and every residential, agricultural, business and industrial customer with a safe, reliable, cost-effective and environmentally responsible supply of electricity.

In order to maintain the necessary long-term level of dependability our customers expect and deserve, we are making the necessary capital expenditures today to meet the demands of tomorrow. With over \$1.4 billion invested in capital infrastructure over the last five years, we are engaged in a comprehensive program that includes the refurbishment of our generation fleet and the addition of environmentally friendly sources of electricity through the Green Power Portfolio.

During the year, a central focus was a new 150-MW wind power project, currently under construction at Rushlake Creek in southwestern Saskatchewan. When completed, the development will generate enough zero-emission electricity to meet the needs of approximately 64,000 homes.

Refurbishment and life extension projects were also prominent, with \$46 million of improvements at Nipawin Hydroelectric Station, Boundary Dam Power Station and Poplar River Power Station. Our Environmentally Preferred Power (EPP) Program is also playing a key role in our supply planning activities, as we work to develop dynamic partnerships with independent producers that will use a variety of environmentally friendly technologies to generate electricity.

In 2004, we were also strengthening our transmission and distribution system through significant investments, including \$51 million on customer connects, \$11 million on a replacement program for aging wooden poles, and \$18 million on the rebuilding and construction of transmission lines. These efforts will continue into the future as we ensure SaskPower meets standards developed by the North American Electric Reliability Council (NERC).

As much as our planning focus may appear to be on infrastructure, we recognize that the expertise and well-being of our workforce is at the core of our continued success. Public and employee safety remains an area of paramount importance. Along with out-of-scope employees, representatives from the Communications, Energy and Paperworkers (CEP) Local 649 and International Brotherhood of Electrical Workers (IBEW) Local 2067 are playing an important part in making significant improvements to our Safety Management System (SMS) and the overall safety culture at SaskPower. As well, a new centralized Corporate Safety Department is now reporting directly to my office. It will set the direction for safety at our company, including the ongoing development and implementation of safety strategies and the SMS.

The ongoing growth of our employees is continuing through initiatives such as the Leadership Development Program and the Succession Planning Program. We are also striving to improve our diversity position. As a result, we have created a workforce profile to 2008 that has helped established diversity targets. The recruitment and retention in trades and professions is also a significant challenge. The majority of SaskPower's employees are eligible for retirement in 10-15 years, which will require strategic and intensive succession planning.

We began 2004 with significantly reduced financial expectations in the face of continuing high fuel and purchased power costs, an aging infrastructure, ongoing regulatory changes and emerging environmental requirements. As a result, we reluctantly and cautiously put forward an application for a rate increase, the first since January 2002. Although the adjustment that was approved by provincial cabinet was ultimately less than the amount we were initially seeking, the additional funding will be critical in ensuring we maintain our solid financial position.

All employees are commended for their personal efforts in helping us maintain an exemplary level of service in this anniversary year. I would also like to recognize the invaluable contributions of the Board of Directors in further strengthening our company. Lastly, we look forward to the continued support of our customers and communities throughout Saskatchewan as we forge a future together that is socially, economically and environmentally sound.

Pat Youzwia
President and Chief Executive Officer

Our History is Electric

In 1929, the Saskatchewan Power Commission began what would be an exceptional journey, bringing electricity to customers across a vast geographic expanse. Early development included construction of a 10,000 kilowatt station in Saskatoon, as well as the purchase of municipal and private systems in places like Humboldt, Wynyard, Wadena and Shellbrook.

Over the next 75 years, SaskPower would look to coal, natural gas, water and wind to drive the growth of our entire province. An unparalleled system of transmission and distribution lines reached out to cities, towns, villages and farms. And within just one decade, through a pioneering rural electrification program, power became accessible to 90 per cent of Saskatchewan's widely-dispersed agricultural community.

Today, SaskPower operates one of the largest service areas in Canada. With more than 439,000 customers, we possess the most extensive network of transmission and distribution lines of any Canadian utility, along with the largest rural underground distribution system in the country. We manage a net generating capacity of 3,505 megawatts (MW), with the focus of recent additions on environmentally sustainable and renewable energy sources.

The Capacity to Serve

In 2004, as we looked to our past, we positioned ourselves for the future. In conjunction with our wholly-owned subsidiary SaskPower International, we began construction on a 150-MW wind power project at Rushlake Creek in southwest Saskatchewan. Through the installation of 83 wind turbines, the new facility will provide enough zero emission energy to meet the needs of approximately 64,000 homes.

Wind power is the centre point of SaskPower's Green Power Portfolio, which will ensure all new electricity needs until 2010 are met from sources that do not add to greenhouse gas emissions. In addition to wind, the Green Power Portfolio includes the Environmentally Preferred Power (EPP) Program. It will provide the opportunity for SaskPower to partner with Independent Power Producers to build and operate smaller-scale generation projects. In 2004, three proposals for 13 MW of power generation were selected for the first phase of the EPP Program. Once negotiations are complete, Independent Power Producers will generate electricity using wind and heat recovery, and sell the electricity to SaskPower.

Meanwhile, construction of the first phase of a biogas demonstration was completed resulting from SaskPower's partnership with Clear-Green Environmental. The facility uses innovative technology to generate heat and electricity from hog manure.

Electricity came to Saskatchewan a mere decade after Edison gave the incandescent lamp to the world. This was at a time when our forefathers were trekking west to carve their future in a vast prairie wilderness.

Louis Rasmussen, 104th Saskatchewan Power Commissioner

Energy conservation is also an important component of the Green Power Portfolio. A province-wide information campaign led by the Customer Services business unit focuses on promoting energy efficient lighting and was launched during the year. Our Energy Performance

Contracting (EPC) service also continued, with SaskPower helping larger customers reduce energy use in a cost-effective way through the retrofitting of lighting, heating, cooling, ventilation and building automation systems.

NorthPoint Energy Solutions, the Corporation's wholly-owned energy marketing subsidiary, is playing a critical role in maximizing the efficiency of our generating supply. In its third full year of operation, NorthPoint maintained its record of profitability by taking advantage of electricity trading opportunities.

Getting Better with Age

Reliability is at the core of SaskPower's service mission. Because much of our infrastructure was constructed in an accelerated growth era prior to 1970, significant investments in renewal are essential.

The second phase of a three-year \$20-million overhaul of Nipawin Hydroelectric Station is now complete. This year, the turbine and generator of Unit #3 were rebuilt, with work for Unit #2 set for 2005. Preparations are also underway for the overhaul of the 300-MW Poplar River Power Station Unit #2, which will result in higher operational and environmental efficiencies. At Boundary Dam Power Station, a major turbine refurbishment of Unit #5 is now complete, while the coal handling system is being upgraded to ensure the ongoing availability of the facility's fuel supply.

SaskPower is also upgrading its transmission system to conform to standards developed by the North American Electric Reliability Council (NERC). A multi-year strategy is coordinating substation enhancements, as well as the replacement of wood poles, transformers and communications, protection and control equipment. In 2004, our Transmission and Distribution business unit spent more than \$100 million on projects that included customer connects, a transformer replacement at the Shand Power Station, a rebuild at the Meadow Lake 3 Transmission Line and construction of the new Parkridge and Marengo Substations.

A Renewable Environment

SaskPower is investigating and implementing new technologies to reduce the environmental effects of electrical generation. This year, we began an international demonstration project at Poplar River Power Station. The focus of the activated carbon injection study is the capture of mercury that is released when lignite coal is burned. The Corporation is also continuing research into carbon dioxide capture and storage, as well as other ways to use fossil fuels in a more environmentally sustainable manner.

Using waste heat from the Shand Power Station, SaskPower's Shand Greenhouse is helping preserve and enhance Saskatchewan's ecosystem by distributing over 500,000 seedlings annually. Its 2004 projects included the donation of 65,000 tree seedlings and a financial contribution to HELP International conservation initiatives in the province. The Carbon Sequestration and Phytoremediation Project involves the planting of high water use trees around landfills and sewage lagoons in urban communities, including Weyburn, Arcola, Stoughton and Radville. The trees will decontaminate soils and waters before they reach rivers and underground aquifers.

SaskPower was the first electric utility in Canada to have its corporate-wide Environmental Management System (EMS) achieve registration under the demanding ISO 14001 standard. In 2004, independent audits have once again confirmed the Corporation's status. In addition, we reported SaskPower's performance in our annual *Environment Review*. Efficiencies and environmental impact indicators are measured through the Canadian Electricity Association Environmental Commitment Responsibility Program.

Our Company – Our Community

In order to secure the future of SaskPower, the Corporation is engaged in comprehensive succession planning. With many employees scheduled for retirement within 10 to 15 years, there is a growing need to ensure skilled trades people are available and there is an appropriate transfer of knowledge throughout the company. In 2004, we promoted an expanded apprenticeship program, our Leadership Development Program continued to develop tomorrow's managers, and diversity initiatives helped move us closer to a representative workforce.

When it comes to electricity, public and employee safety awareness is critical, and remains one of our top priorities. Safety education through programming and advertising reaches residents throughout Saskatchewan. Within the

Corporation, the Safety Task Force Report, which was released in February 2004, provided recommendations on how to improve safety performance at SaskPower. Further development of our Safety Management System has helped provide more consistent reporting and investigation. A centralized Corporate Safety Department, which reports directly to the president, has been created to help advance a safety-oriented culture at SaskPower.

Our relationship with the residents of Saskatchewan is one we value. As a corporate citizen, SaskPower recognizes the significance of supporting our community through a variety of contributions. Programming related to education, safety and environment are areas of special importance. In 2004, SaskPower continued its partnership with a multitude of organizations including the Saskatchewan Science Centre, where a traveling climate change exhibit educated youth and adults.

Our Future is Powerful

At SaskPower, we know that over 75 years, people have come to count on us. They expect and deserve a high level of service that complements the economic and social growth of their province. That's why we strive to work closely with customers, communities and partners as we build a shared future around our corporation's mission: delivering power in a safe, reliable, cost-effective and environmentally responsible manner.

“And with a proven 75-year reputation for providing an exceptional level of service to our customers, we are committed to maintaining this tradition into the future.”

—Mike McQuinn, President and CEO, SaskPower

Management's Discussion and Analysis

Management's Discussion and Analysis (MD&A) highlights the primary factors that have an impact on the financial results and operations of Saskatchewan Power Corporation (SaskPower). It should be read in conjunction with the audited financial statements and accompanying notes. This MD&A contains forward-looking statements based on the Corporation's estimates and assumptions concerning future results and events. Due to the risks and uncertainties inherent in any forecasted outlook, the actual results of the Corporation could differ materially from those anticipated.

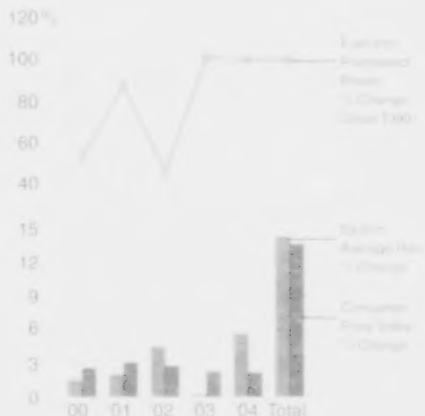
2004 Generation Capacity (MW)

Total Generation Capacity: 3,505 MW



Coal-fired stations provide the bulk of SaskPower's generation capacity. However, natural gas and purchased power are becoming significant sources of generating capacity.

Rate Changes Compared to Consumer Price Index and Fuel and Purchased Power Costs



Despite a 100% increase in fuel and purchased power costs since 1999, system average rate increases have remained in line with the inflation rate of inflation.

Profile

SaskPower is the principal supplier of electricity in Saskatchewan. Its mission is to deliver power in a safe, reliable, cost-effective and environmentally responsible manner.

Founded as the Saskatchewan Power Commission in 1929, SaskPower was set up in 1949 and operates primarily under the mandate and authority of *The Power Corporation Act* (the "Act"). The Act grants SaskPower the exclusive franchise and the exclusive obligation, within the province (except for the City of Swift Current and the City of Saskatoon), to supply, transmit and distribute electricity, as well as provide service to customers. SaskPower has opened Saskatchewan's wholesale electricity market to competition through the posting of an Open Access Transmission Tariff (OATT). The OATT allows competitors to schedule access to the Corporation's transmission system to wheel power through Saskatchewan or sell to SaskPower's wholesale (reseller) customers.

SaskPower serves more than 439,000 customers and manages \$3.8 billion in assets. The Corporation contributed more than \$800 million in 2004 to the provincial economy through the procurement of over 80% of goods and services from Saskatchewan suppliers, the payment of wages and benefits to its employees, the purchase of coal and the acquisition of electricity from Independent Power Producers. The contributions also include \$14 million in grants-in-lieu of taxes payable to local governments and approximately \$40 million in coal royalties, water rentals and provincial corporate capital tax payable directly to the Province of Saskatchewan. The Corporation also collected \$36 million in municipal surcharges for redistribution to 419 cities, towns and villages.

SaskPower maintains 153,557 kilometres (km) of power lines (12,149 km transmission and 141,408 km distribution). This extensive network is designed to serve Saskatchewan's large geographic area and widely-dispersed population. SaskPower supplies about three customers per circuit kilometre, while most utilities in North America average about 12 customers over the same distance.

SaskPower has 2,397 permanent full-time employees who are employed in three business units, five corporate groups and three wholly-owned subsidiaries.

SaskPower's aggregate generating capacity as at December 31, 2004, was 3,505 megawatts (MW). This includes the 3,056 MW capacity of SaskPower's own facilities – three coal-fired stations, seven hydro stations, four natural gas stations and one wind generation facility.

The Corporation also has available generation capacity of 449 MW through long-term power purchase agreements with the gas-fired Cory Cogeneration Station near Saskatoon, the Mendon Cogeneration Station at Lloydminster and the SunBridge Wind Power Project near Swift Current.

In addition, the Corporation has interconnections at the Manitoba, Alberta and North Dakota borders. These interconnections provide SaskPower with the capability to import or export electricity to meet excess demand or to take advantage of export market opportunities. In compliance with OATT, SaskPower is required to compete with other suppliers for access to these interconnections.

Electricity pricing in Saskatchewan is subject to review by the Saskatchewan Rate Review Panel (the Panel) with final approval by cabinet. Prior to 2004, SaskPower's last rate increase – which averaged 4.5% – was implemented on January 1, 2002.

In August 2004, the Corporation submitted a rate application to the Panel requesting a 9% system-wide rate increase effective September 1, 2004, and a 1.8% increase effective September 1, 2005. Cabinet approved the interim rate increase of 9% effective September 1, 2004.

In December 2004, the Panel completed its review of SaskPower's application and recommended to cabinet a system-wide average rate increase of 5.65%. In January 2005, cabinet accepted the Panel's recommendation and approved a system-wide average rate increase of 5.65% for SaskPower customers, retroactive to September 1, 2004. SaskPower has accordingly adjusted its 2004 revenues to reflect cabinet's decision.

Financial Results - Mixed Results, Financial Performance Slowing

(in millions)	2004	2003	Change
Income before foreign exchange gains and equity investment income	\$ 63	\$ 73	\$ (10)
Foreign exchange gains	3	113	(110)
Equity investment income	–	1	(1)
Net income	\$ 66	\$ 187	\$ (121)
Return on equity¹	4.8%	13.6%	(8.8%)

¹ Return on equity = (net income/average equity) x 100; average equity = (2004 equity + 2003 equity) / 2; 2004 equity = 2004 equity at year end

Highlights

The Corporation's consolidated net income was \$66 million in 2004, a decrease of \$121 million from 2003. This resulted in a return on equity of 4.8% compared to 13.6% in the previous year.

The decline in earnings was primarily due to a reduction in foreign exchange gains as a result of the Corporation's hedging program and reduced volatility in the value of the Canadian dollar relative to the United States (U.S.) dollar.

Income before foreign exchange gains and equity investment income was \$63 million in 2004, compared to \$73 million in 2003. Increased revenues from a system-wide 5.65% rate increase in September 2004 were offset by declines in export revenue and increases in operating and maintenance costs, finance charges and depreciation.

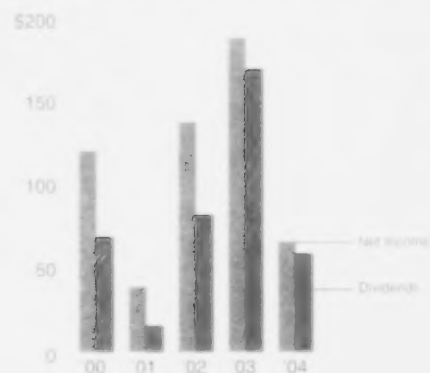
In 2004, the Corporation declared \$59 million in dividends compared to \$169 million in 2003.

Outlook

SaskPower expects to earn \$83 million in 2005 resulting in a return on equity of 5.9%. The projected improvement over 2004 is largely due to the effect of a full year of the rate increase. No additional system-wide rate increases have been forecasted for 2005.

These earnings expectations are subject to a number of variables including: natural gas prices, coal and hydro generation availability, weather, economic conditions, number of customers, and market conditions in other jurisdictions.

Net Income and Dividends (all amounts)



Over the last five years, SaskPower has declared \$395 million in dividends payable to the Crown Investments Corporation.

Revenue - Modest Increase

(in millions)	2004	2003	Change
Saskatchewan sales	\$ 1,132	\$ 1,104	\$ 28
Export sales	97	113	(16)
Other	28	26	2
Total revenue	\$ 1,257	\$ 1,243	\$ 14

SaskPower's revenue was \$1,257 million in 2004, an increase of \$14 million over 2003. This increase was attributable to an increase in Saskatchewan sales revenue as a result of higher volumes and the impact of the rate increase offset by a decrease in export sales.

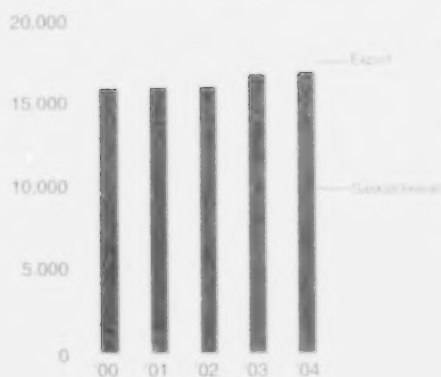
2004 Revenue

Total Revenue: \$1,257 million



Saskatchewan electric sales account for the majority of the Corporation's sales revenue.

Volume of Electric Sales (in GWh)



After a jump in 2003, electric sales volumes were flat in 2004.

a) Saskatchewan Sales - System-wide Rate Adjustment

Revenue from Saskatchewan electric sales was \$1,132 million in 2004, up \$28 million from 2003. The system-wide rate change effective September 1, 2004, increased Saskatchewan electricity rates by an average of 5.65% resulting in approximately \$21 million of additional revenue. An increase in Saskatchewan electric sales volumes was the cause for most of the remaining increase in sales revenue.

Saskatchewan electric sales volumes are driven by general economic conditions, number of customers and weather. In 2004, electric sales volumes to Saskatchewan customers were 16,894 gigawatt hours (GWh), up 145 GWh from the prior year. Sales volumes for large industrial customers and oilfield customers were each up 4%. Sales volumes to all other customer classes including farm, residential, commercial and reseller declined by 2%.

In 2004, SaskPower's total Saskatchewan customer base increased by 2,687 customers or approximately 1% over 2003.

b) Export Sales - Decline in Market Opportunities

Export sales include revenues from the export of SaskPower generation and revenue from electricity trading activities.

Export pricing is not subject to the rate review process and is determined by the external market. Export sales volumes are dependent on general economic conditions and supply in other jurisdictions.

Export revenues decreased from \$113 million in 2003 to \$97 million in 2004. The decline in export sales was largely a result of a 223 GWh drop in sales volumes due to reduced demand. In addition, the 2004 average export price of \$63/megawatt hour (MWh) was down \$1/MWh from 2003.

Outlook

The Corporation expects Saskatchewan sales revenues to increase 5% in 2005. This increase is due to the effect of a full year of the rate increase and a 2% - 3% increase in volumes. Exports sales are expected to decline by approximately 25% in 2005 due to stabilized demand from other jurisdictions. These expectations are subject to significant variability as a result of weather, economic conditions, number of customers and market conditions in other jurisdictions.

Expense - Fuel and Purchased Power Remain Near Record High

(in millions)	2004	2003	Change
Fuel and purchased power	\$ 500	\$ 502	\$ (2)
Operating, maintenance and administration	317	301	16
Depreciation	189	186	3
Finance charges	160	152	8
Taxes	28	29	(1)
Total expense	\$ 1,194	\$ 1,170	\$ 24

Total expense of \$1,194 million for 2004 was up \$24 million from 2003 due to an increase in operating and maintenance costs, finance charges and depreciation. Fuel costs have decreased slightly but remained at near record high levels.

a) Fuel and Purchased Power - Continuing High Natural Gas Costs and Low Hydro Conditions

The Corporation's fuel cost management strategy focuses on the economic dispatch of the generating units, which brings the lowest cost units on stream first. In general, this means maximizing hydro and coal generation, which have the lowest marginal cost per unit of generation. Hydro generation is dependent upon water levels at the Corporation's hydro facilities and coal generation is a product of the availability of the Corporation's coal plants.

Total fuel and purchased power costs in 2004 were down slightly to \$500 million compared to \$502 million in 2003. Fuel costs remained at near record levels largely as a result of continuing high natural gas prices. Natural gas related generation, through SaskPower's gas-fired plants and electricity purchased from other generators, accounted for only 18% of the total generation of the Corporation but represented 49% of the total fuel and purchased power cost in 2004. The benchmark AECO C price of natural gas stayed at an average of about \$6.40/gigajoule (GJ) in 2004, which is consistent with 2003. The AECO C hub is one of the major natural gas storage facilities in North America and has become a Canadian reference point for pricing of spot gas markets.

The modest reduction in fuel and purchased power cost in 2004 over 2003 was due to a decline in average fuel prices. This decrease was primarily due to lower import prices. Average import prices of \$43/MWh in 2004 were down \$4/MWh from 2003 as a result of a reduction in electricity prices in markets external to Saskatchewan.

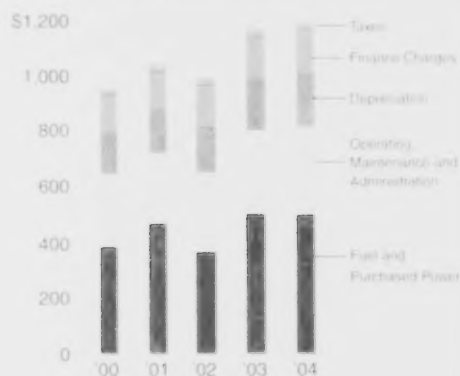
Offsetting the decrease in import prices was an unfavourable change in the fuel mix of the Corporation. Hydro – the Corporation's lowest marginal cost generation source – accounted for only 13% of the total generation in 2004 compared to 17% in the previous year. This decline was attributable to reduced water levels in the Churchill and Saskatchewan river systems. The lost hydro generation was replaced with higher cost generation.

Total generation and purchased power of 20,382 GWh in 2004 was up slightly from 2003.

Outlook

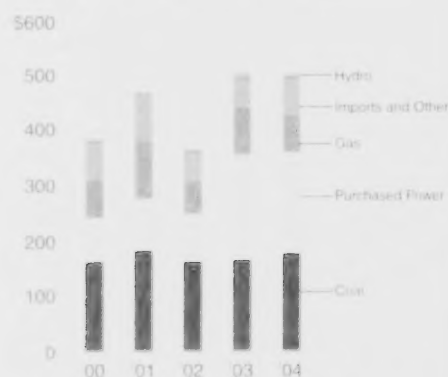
Fuel and purchased power costs are expected to stay around the \$500 million level in 2005, as it is anticipated that natural gas prices will remain near 2004 levels. Fuel and purchased power is the Corporation's most volatile expense and has the potential to vary dramatically. The factors that will have the biggest impact on fuel costs in 2005 are coal and hydro generation availability, natural gas and import prices and the level of Saskatchewan sales and export sales.

Expenses by Type (in millions)



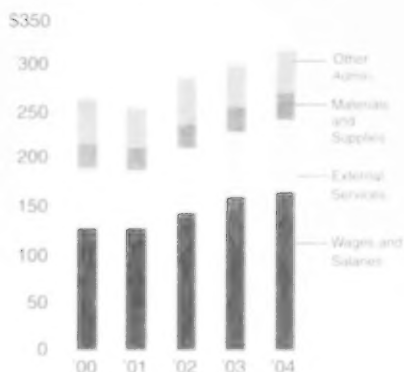
Fuel and purchased power costs are SaskPower's single largest expenditure, accounting for 42% of total expense in 2004.

Fuel and Purchased Power (in millions)



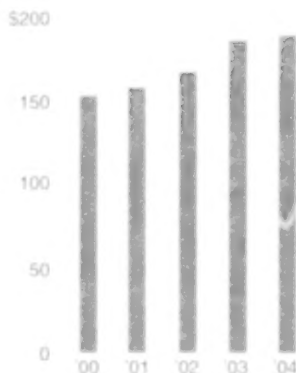
Natural gas related generation – gas and purchased power – accounts for 49% of SaskPower's fuel and purchased power expense in 2004.

OM&A Expenses by Type (in millions)



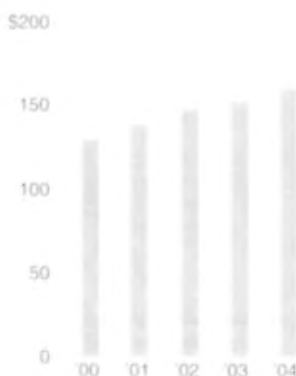
Wages and salaries make up the largest portion of Operating, Maintenance and Administration expenses.

Depreciation (in millions)



Depreciation costs have risen in line with the expansion of the Corporation's infrastructure.

Finance Charges (in millions)



Finance charges have been rising as a result of increased borrowings in recent years.

b) Operating, Maintenance and Administration (OM&A) - Increased Maintenance on Aging Infrastructure

OM&A expense was \$317 million in 2004, compared to \$301 million in 2003. This \$16 million increase was largely the result of a rise in the cost of external services and materials related to increased maintenance activity at the Corporation's power plants and transmission and distribution facilities.

There was also an increase in salaries and benefits reflecting the cost of additional staff required for initiatives such as the line trade apprentices program and increased overtime reflecting additional maintenance activities. Salaries and wages were also impacted by a new job evaluation structure for the International Brotherhood of Electrical Workers (IBEW) bargaining unit.

Outlook

The Corporation expects OM&A costs to rise by about 2% in 2005, reflecting the impact of collective bargaining settlements and other inflationary forces.

c) Depreciation - Capital Program Adds to Charge

Depreciation amounted to \$189 million in 2004, compared to \$186 million in 2003. The increase is the result of SaskPower's continued program of capital investment, particularly in generation and transmission and distribution assets.

Outlook

Depreciation is expected to increase in 2005 due to the ongoing expansion and renewal of SaskPower's capital infrastructure.

d) Finance Charges - Rising with Increased Debt Levels

Finance charges of \$160 million in 2004 were up \$8 million from 2003. This increase was primarily due to the borrowing of \$400 million of long-term debt during 2004. In addition, hedging costs in 2004 are up from 2003, reflecting the cost of the Corporation's ongoing hedging program.

The cost of the new borrowing and hedging costs was partially offset by a reduction in coupon payments in 2004 due to the repayment of higher coupon debt in 2004 and 2003. There was also a reduction in interest expense on U.S. dollar denominated debt as a result of an appreciation in the value of the Canadian dollar.

Outlook

Finance charges are expected to increase in 2005 as the Corporation incurs additional borrowings to finance new capital spending and to refinance maturing debt.

e) Taxes - Remain Constant

Capital tax, grants-in-lieu of taxes and other taxes decreased slightly from \$29 million in 2003 to \$28 million in 2004. The provincial corporate capital tax expense declined due to a one-time \$4 million adjustment to the estimated amount of capital taxes payable. This was offset by an increase in grants-in-lieu of taxes as the result of the increase in residential revenues. Grants-in-lieu of taxes are paid to 13 cities in Saskatchewan based on electric sales earned in accordance with agreements between SaskPower and those cities.

Outlook

Taxes are expected to increase moderately in 2005.

Foreign Exchange - Hedging Program Reduces Volatility

(in millions)	2004	2003	Change
Foreign exchange gains	\$ 3	\$ 113	\$ (110)

In 2004, the Corporation experienced a \$3 million foreign exchange gain attributable to the strengthening of the Canadian dollar relative to the U.S. dollar. The Canadian dollar closed on December 31, 2004, at U.S.\$0.8308, up U.S.\$0.057 from the December 31, 2003, rate of U.S.\$0.7738.

The \$3-million gain in 2004 compares to a \$113-million foreign exchange gain recorded in 2003 as the Canadian dollar appreciated U.S.\$0.1407 relative to the U.S. dollar. The foreign exchange gains are primarily non-cash gains resulting from the translation of long-term U.S. dollar denominated debt into Canadian dollars. Foreign exchange impact on net earnings has been significantly reduced in 2004 due to the relative stability of the Canadian dollar in 2004 compared to 2003 and the Corporation's hedging program. In 2004, the Corporation hedged an additional \$120 million of its U.S. dollar denominated long-term debt. The Corporation has now hedged \$465 million or 82% of its total \$569 million U.S. debt. SaskPower plans to hedge the remaining exposure by December 31, 2005.

Outlook

The Corporation expects the foreign exchange impact to continue to be minor in 2005 as SaskPower proceeds to hedge its remaining exposure to foreign exchange volatility on U.S. dollar denominated debt.

U.S./CDN Dollar Foreign
Exchange Rates (%)

U.S. \$ 0.9



The Canadian dollar increased in value from U.S.\$0.6331 on December 31, 2002, to U.S.\$0.8308 on December 31, 2004.

Liquidity and Capital Resources - Additional Debt Improves Cash Position

a) Operating Activities - Provide Additional Cash

(in millions)	2004	2003	Change
Operating cash flow	\$ 245	\$ 253	\$ (8)
Net change in non-cash working capital	44	(53)	97
Cash provided by operating activities	\$ 289	\$ 200	\$ 89

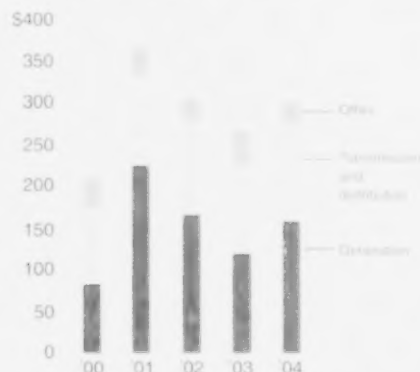
Operating cash flow was \$245 million in 2004, down from \$253 million in 2003. The decline in operating cash flow in 2004 is consistent with the decline in net income before foreign exchange gains and equity income. The change in non-cash working capital was up \$97 million in 2004 compared to 2003. The increase was largely due to a change in the size of payables relating to capital expenditures. Overall, this resulted in a net \$89 million increase in cash provided by operating activities in 2004 compared to 2003.

b) Investing Activities - Upgrading and Expanding Capital Facilities

(in millions)	2004	2003	Change
Generation	\$ 158	\$ 119	\$ 39
Transmission and distribution	115	106	9
Other	28	42	(14)
Total capital expenditures	301	267	34
Customer contributions and net cost of removals	(12)	(12)	—
Cash used in investing activities	\$ 289	\$ 255	\$ 34

In order to ensure a safe, reliable, cost-effective and environmentally responsible supply of electricity for its customers, SaskPower invested \$301 million in various capital projects during 2004, compared to \$267 million in 2003. Major capital investments in 2004 included:

Capital Expenditures (in millions)



SaskPower has invested over \$1.4 billion in its capital infrastructure during the last five years.

Generation

- \$47 million, through its subsidiary SaskPower International Inc., on the development of a 150-MW wind power project at Rushlake Creek near Swift Current, Saskatchewan.
- \$27 million spent on the initial phase of the boiler refurbishment and various upgrades to extend the life of the 281-MW Unit #2 at the Poplar River Power Station; and
- \$5.5 million spent to complete the rebuild and life extension of the 85-MW Unit #3 at the Nipawin Hydroelectric Station through work at the facility and at Hitachi Canadian Industries in Saskatoon.

Transmission and distribution

- \$51 million to connect customers to the SaskPower electric system.
- \$18 million to construct and rebuild transmission lines to transport electricity reliably; and
- \$11 million to replace aging wooden power poles to enhance the safety and reliability of overhead electrical lines.

Other

- \$8 million for the purchase of vehicles and other equipment for SaskPower operations.

Outlook

SaskPower expects to continue to make substantial investments in its infrastructure including the completion of a 150-MW wind power project at Rushlake Creek. Total capital expenditures in 2005 are expected to exceed \$500 million.

c) Financing Activities - New Borrowings to Finance Capital Program

In 2004, cash provided by financing activities was \$100 million compared to a \$34 million use of cash in 2003. The Corporation received \$400 million in advances from the Province of Saskatchewan in 2004 compared to \$200 million in 2003. The increase in advances was partially offset by higher advance and other long-term payable repayments, sinking fund installments and dividend payments.

Long-Term Debt

(in millions)	2004	2003	Change
Gross long-term debt	\$ 2,181	\$ 1,891	\$ 290
Less: sinking fund balances	(140)	(120)	(20)
Long-term debt, net of sinking funds	2,041	1,771	270
Less: current portion of long-term debt	(93)	(75)	(18)
Total long-term debt	\$ 1,948	\$ 1,696	\$ 252
Debt ratio¹	58.2%	56.5%	1.7%

¹ Debt ratio = (debt) / (debt + equity), where debt = (long-term debt + short-term advance + current portion of long-term debt - cash and short-term investments)

SaskPower's long-term debt position, net of sinking funds, was \$2,041 million at December 31, 2004, up \$270 million from December 31, 2003. The rise in net debt was the result of the following:

- The Corporation, through the Saskatchewan Department of Finance, borrowed \$400 million of long-term debt at interest rates between 5.60% and 5.80%.
- The Corporation repaid \$58 million of Canadian dollar denominated debt, with interest rates ranging from 12.60% to 14.06%.
- Through its subsidiary, SaskPower International Inc., the Corporation repaid \$2 million of non-recourse debt.
- Sinking fund balances increased \$20 million as the result of installments and earnings made during the year.
- The value of the U.S. dollar denominated debt decreased by \$50 million as a result of an increase in the value of the Canadian dollar relative to the U.S. dollar. The Canadian dollar closed on December 31, 2004, at U.S.\$0.8308, up U.S.\$0.057 from U.S.\$0.7738 on December 31, 2003.

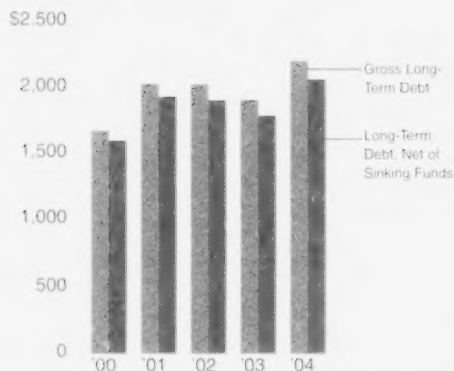
As a result of the increase in gross debt, the Corporation's debt ratio increased from 56.5% in 2003 to 58.2% in 2004.

Outlook

Borrowings are used to finance debt repayments and capital expenditures. In February 2005, the Corporation borrowed an additional \$150 million of Canadian debentures. The Corporation expects to borrow up to an additional \$250 million over the course of the year to refinance \$75 million of high coupon (10.80% - 12.57%) and non-recourse debt maturing in the next year, to fund \$18 million in sinking fund installments and to finance capital expenditures.

The Corporation has authority to borrow up to \$5 billion through the Province of Saskatchewan. The Corporation also has access to \$51 million of short-term borrowings through credit facilities at financial institutions.

Debt at December 31 (in millions)



Debt levels have been increasing to finance the Corporation's capital expenditures.

SaskPower Subsidiaries

SaskPower has three wholly-owned subsidiaries: SaskPower International Inc. (SaskPower International), NorthPoint Energy Solutions Inc. (NorthPoint) and Power Greenhouses Inc. (Shand Greenhouse).

Each subsidiary prepares and issues separate audited financial statements. The financial activities of SaskPower's subsidiaries are consolidated within the financial statements of SaskPower in accordance with Canadian generally accepted accounting principles (GAAP) as summarized below. Shand Greenhouse grows and distributes tree and shrub seedlings and operates on a break-even basis. The financial results of this subsidiary are not considered to be material and have been included in the SaskPower Utility results.

2004 Statement of Income and Financial Position

(in millions)

	SaskPower Utility (Notes 1 & 3)		SaskPower International		NorthPoint		Adjusting Entries (Note 2)		Consolidated SaskPower	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Statement of income										
Revenue	\$ 1,230	\$ 1,226	\$ 22	\$ 20	\$ 38	\$ 27	\$ (33)	\$ (30)	\$ 1,257	\$ 1,243
Expense	1,169	1,155	21	19	31	20	(27)	(24)	1,194	1,170
Income before the following	61	71	1	1	7	7	(6)	(6)	63	73
Foreign exchange gains (losses)	3	114	—	—	—	(1)	—	—	3	113
Equity investment income	—	—	—	1	—	—	—	—	—	1
Net income	\$ 64	\$ 185	\$ 1	\$ 2	\$ 7	\$ 6	\$ (6)	\$ (6)	\$ 66	\$ 187
Statement of financial position										
Current assets	\$ 347	\$ 278	\$ 13	\$ 9	\$ 27	\$ 30	\$ (16)	\$ (40)	\$ 371	\$ 277
Property, plant and equipment	3,187	3,129	157	131	—	—	—	—	3,344	3,260
Other assets	200	130	45	28	—	—	(130)	(85)	115	73
Total assets	\$ 3,734	\$ 3,537	\$ 215	\$ 168	\$ 27	\$ 30	\$ (146)	\$ (125)	\$ 3,830	\$ 3,610
Current liabilities	\$ 324	\$ 435	\$ 5	\$ 5	\$ 15	\$ 18	\$ (13)	\$ (40)	\$ 331	\$ 418
Long-term debt	1,855	1,601	93	95	—	—	—	—	1,948	1,696
Other liabilities	165	117	49	1	—	—	(53)	(5)	161	113
Total liabilities	2,344	2,153	147	101	15	18	(66)	(45)	2,440	2,227
Equity	1,390	1,384	68	67	12	12	(80)	(80)	1,390	1,383
Total liabilities and equity	\$ 3,734	\$ 3,537	\$ 215	\$ 168	\$ 27	\$ 30	\$ (146)	\$ (125)	\$ 3,830	\$ 3,610

Notes:

1. Includes Shand Greenhouse expense of \$1 (2003 - \$1) and assets of \$4 (2003 - \$4).
2. Adjusting entries eliminate inter-company transactions upon consolidation.
3. SaskPower Utility results are presented on the cost basis.

Profile

SaskPower International was established in 1994 as a wholly-owned subsidiary of SaskPower and is mandated to seek new sources of revenue for the Corporation. This includes investing in power-related projects and selling flyash.

SaskPower International currently has an ownership interest in three power generating stations, as follows:

- The 228-MW Cory Cogeneration Station, located at the PCS Potash Cory Division, is jointly owned on a 50/50 basis with ATCO Power. The electricity generated by the facility is sold to SaskPower under the terms of a 25-year power purchase agreement. The steam is delivered to the PCS Potash Cory Division for use in its industrial processes.
- The 170-MW MRM Cogeneration Station, located at the Athabasca Oil Sands Project's Muskeg River Mine, north of Fort McMurray, Alberta, is owned 30% by SaskPower International and 70% by ATCO. The Muskeg River Mine uses all the steam output from the plant and approximately half of the electricity output. The remaining electricity is sold into the Alberta power grid.
- SaskPower International is currently constructing a 150-MW wind power project at Rushlake Creek, scheduled for completion in December 2005. This \$250 million SaskPower International owned facility is located approximately 25 km southeast of Swift Current, and is part of SaskPower's Green Power Portfolio.

SaskPower International's other business line is the marketing and sale of flyash, which is a byproduct of coal burned at SaskPower's Boundary Dam Power Station and Shand Power Station. The flyash is used in applications such as ready-mixed concrete, concrete block, pipe, paving stones and environmental remediation activities, including oil well cementing, mine backfill and road base stabilization.

Financial Overview

Net income was \$1 million in 2004, down \$1 million from 2003, primarily due to a decline in equity investment income from the MRM Cogeneration Station.

Revenue

Total revenues were \$22 million in 2004, an increase of \$2 million from 2003. The increase was due to \$1 million of additional revenues from the Cory Cogeneration Station as the result of an increase in the days of commercial operation in 2004 over 2003. Flyash sales were also up \$1 million due to a 9,630 tonne increase in sales volumes and a general price increase.

Expense

Total expense of \$21 million in 2004 was \$2 million higher than in 2003. The increase was due to an increase in Saskatchewan Corporate Capital Tax, depreciation, flyash cost of sales and Cory Cogeneration Station operating expense.

Equity Investment

The MRM Cogeneration Station broke even in 2004 compared to \$1 million of income in 2003. The decline in earnings is primarily the result of lower Alberta Power Pool prices. The Alberta Power Pool price is the hourly wholesale market price of electricity that is coordinated by the Alberta Electric System Operator (AESO). The average Pool price was \$55/MWh in 2004 compared to \$63/MWh in 2003.

Outlook

SaskPower International's net income is expected to decline in 2005, compared to 2004, primarily as a result of expenses associated with the construction of a 150-MW wind power project at Rushlake Creek and higher operating and maintenance expenses for the MRM and Cory Cogeneration Stations.

In general, net income in future years is expected to increase. The wind power facility at Rushlake Creek will begin generating income in 2006, its first year of commercial operations. MRM and Cory Cogeneration Station earnings are projected to be positive and vary from year to year, primarily due to each plant's maintenance cycle requirements. MRM Cogeneration Station earnings can also vary due to market fluctuations in Alberta Power Pool prices and natural gas prices.



Profile

NorthPoint is a wholly-owned subsidiary of SaskPower. It was formed in late 2001 to meet requirements associated with SaskPower's OATT that mandates the separation of transmission and wholesale marketing functions. SaskPower personnel were used to staff NorthPoint when it was established.

NorthPoint has a service agreement with SaskPower to perform generation and load management services and to provide electricity export and import functions related to the generation assets of SaskPower. The generation and load management services include co-ordinating the economic dispatch of SaskPower's total available capacity of 3,056 MW and the dispatch of 449 MW from three long-term power purchase agreements on a continuous basis. The electricity export and import functions include the selling of surplus generation to other jurisdictions and purchasing electricity for domestic load when shortfall in supply occurs or lower cost supply is available.

NorthPoint also acts as a principal in wholesale electricity trading transactions that do not relate to the generation assets of SaskPower. It actively participates in markets in the Northwest United States, Mid-Continental United States, Alberta, Manitoba and Ontario. NorthPoint operates mainly under two umbrella-trading agreements: Mid-Continent Energy Marketers Association Tariff and Western Systems Power Pool Agreement.

Financial Overview

Net income for 2004 was \$7 million, an increase of \$1 million over 2003. NorthPoint declared \$6 million in dividends payable to SaskPower, consistent with the 2003 dividend.

Revenue

Electricity trading sales were \$31 million in 2004, compared to \$21 million in 2003. The \$10 million increase in 2004 over 2003 reflects a 211 GWh or 65% increase in volumes. The higher volumes were partially offset by a \$7/MWh decrease in average sale prices due to relatively lower prices during the summer months. The decline in the average sale price resulted in reduced margins earned on electricity trading activities during 2004. As a result, the increase in electricity trading revenues had minimal impact on net income. The majority of electricity sales, or \$28 million, was made to Canadian counterparties, with the remaining \$3 million made to U.S. counterparties.

In 2004, NorthPoint earned \$7 million in service revenue compared to \$5 million in 2003. The increase was primarily due to a change in the methodology of calculating commission on electricity trading functions related to the generation assets of SaskPower. The methodology was updated to more accurately match the cost of generation to import and export transactions. Service revenue from SaskPower provides approximately 17% of total revenues of NorthPoint.

Expense

The cost of electricity purchased rose to \$27 million in 2004 from \$17 million in 2003. This increase was primarily due to a 218 GWh or 62% increase in the volumes required to fulfill the increase in electricity sales. The 2004 average purchase price of electricity was consistent with 2003. Administration expense of \$4 million was also consistent with 2003.

Outlook

Sales revenue and net income are expected to grow modestly over the next few years, reflecting the expectation that export markets will continue to stabilize in 2005 as a result of the oversupply condition that currently exists in markets available to NorthPoint. This oversupply condition is expected to improve over several years. NorthPoint continues to attempt to grow revenues by entering new markets. These expectations are subject to significant variability as a result of weather, economic conditions and market conditions in other jurisdictions.

Effective January 1, 2005, NorthPoint assumed responsibility for the management of SaskPower's natural gas supplies for its natural gas-fired power plants. As part of this assumption of responsibility, the employees in the gas management group of the Power Production business unit of SaskPower were transferred to NorthPoint. SaskPower retained ownership of all assets, and will continue to be responsible for all financial obligations relating to natural gas purchases. NorthPoint will assume responsibility for administrative costs relating to these employees, and will receive a management fee from SaskPower in exchange for managing the natural gas supplies.

Off-Balance Sheet Arrangements

The Canadian Institute of Chartered Accountants (CICA) recommends that corporations disclose all off-balance sheet arrangements if they have or are likely to have a material current or future effect on the financial condition of the corporation. SaskPower has the following off-balance sheet arrangements that are considered to be significant.

a) Derivative Financial Instruments

Financial instruments such as forward contracts, collars and others are used to manage the Corporation's exposure to changes in natural gas prices and fluctuations in the U.S. dollar. These instruments are accounted for using hedge accounting (see Note 2) to the consolidated financial statements) in compliance with Canadian GAAP. Under this type of accounting, the fair value of the financial instrument is appropriately not recorded on the balance sheet. The gains and losses incurred during the term of the financial instrument are deferred and recognized in earnings in the same period and financial statement category as the related expense item.

The fair value of these derivatives is disclosed in Note 15 to the consolidated financial statements.

b) Energy Performance Contracts

Energy performance contracts are packages that provide energy savings to certain large commercial customers of SaskPower. The packages are comprehensive facility improvement programs that normally include the installation of new energy efficient equipment, which is intended to pay for itself through energy savings. SaskPower guarantees these energy savings. These guarantees are offset by third party guarantees to SaskPower that ensure the energy savings will be realized.

SaskPower has properly not recorded an asset or liability in respect of these contracts, as the promised energy savings were being realized on all energy performance contracts as of December 31, 2004. In the event that the energy savings were not being realized, SaskPower would be liable to the customer for guaranteed savings. A payable to the customer and a receivable from the third party that provided an offsetting guarantee to SaskPower would be recorded on the balance sheet.

Critical Accounting Estimates

SaskPower's significant accounting policies are described in Note 2 to the consolidated financial statements. Some of these policies involve critical accounting estimates that require management to make particularly subjective or complex judgements about matters that are inherently uncertain. Different conditions or assumptions regarding the estimates could result in materially different results being reported. Management has discussed the development and selection of these critical accounting policies with the Corporation's Audit and Finance Committee and the external auditors.

The following section discusses the critical accounting estimates and assumptions that management has made and how they affect the amounts reported in the consolidated financial statements.

a) Depreciation

Property, plant and equipment represents 87% of total assets recognized on SaskPower's balance sheet. Included in property, plant and equipment are the generation, transmission and distribution and other assets of the Corporation. Due to the size of SaskPower's property, plant and equipment, changes in estimated depreciation rates can have a significant impact on income.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. The estimated useful lives of the assets are based on formal depreciation studies that are performed every five years, with annual reviews for reasonableness. The estimated useful lives are determined based upon manufacturer's guidance on asset life, SaskPower's past experience with similar assets, industry averages and expectations about future events that could impact the life of the asset. The next depreciation study is scheduled for 2006.

A one-year increase in the average estimated service life of each of the major asset categories of property, plant and equipment would result in a \$13 million decrease to depreciation expense in the current year.

b) Employee Future Benefits

As explained in Note 2n and Note 20 to the consolidated financial statements, the Corporation provides post retirement benefits to employees, including a defined benefit pension plan. Defined benefit pension costs are based on long-term assumptions regarding rate of return on plan assets, discount rates, wage and salary increases, age at retirement, contribution levels and future pension indexing. The actual results over the short term may differ greatly from the long-term assumptions. However, the use of long-term financial assumptions to calculate pension expense is considered appropriate due to the long-term financial commitment that a pension plan represents.

An independent actuary calculates defined benefit pension plan costs based on the long-term assumptions described above. In 2004, the actuary calculated pension expense of \$3 million consistent with the previous year. This is a non-cash item that is included in operating, maintenance and administration expense on the income statement.

Changes in the long-term assumptions, including the anticipated return on plan assets and the discount rates used in determining the benefit obligation and current period service costs, can have a significant impact on the pension costs of the Corporation.

The expected rate of return on plan assets is based upon past performance and economic forecasts for the types of investments held by the plan. As a result of lower earning expectations, the long-term rate of return on plan assets was reduced from 7.20% in 2003 to 7.00% in 2004.

The discount rate is based on the spot yield for high-grade, long-term Canadian corporate bonds. This rate was reduced from 6.50% in 2003 to 6.25% in 2004 to reflect the change in bond markets over that period.

A 0.5% increase in both the expected long-term rate of return on plan assets and the discount rate would result in a \$6 million decrease in pension expense and a \$6 million increase in the defined benefit asset recorded in the consolidated financial statements.

c) Asset Retirement Obligations

The Corporation recognizes asset retirement obligations in the period they are incurred if a reasonable estimate of fair value (net present value) can be determined. An asset retirement obligation is a legal obligation associated with the decommissioning of a long-lived asset. The Corporation recognizes asset retirement obligations to decommission coal, gas and wind generation facilities in the period in which the facility is commissioned. A reasonable estimate of fair value for the transmission, distribution and hydro generation assets cannot be determined as these assets are expected to be maintained and operated indefinitely. Therefore, no obligation has been recorded.

The fair value of the estimated asset retirement costs is recorded as a liability under other liabilities, with an offsetting amount capitalized and included as part of property, plant and equipment. The asset retirement obligations are increased annually for the passage of time by calculating accretion (interest) on the liability while the offsetting capitalized asset retirement costs are depreciated over the estimated useful life of the related asset. The accretion expense is calculated using an interest rate that equates to a risk-free interest rate adjusted for the credit standing of the Corporation and is included with depreciation expense.

The calculations of fair value are based on detailed studies that take into account various assumptions regarding the anticipated future cash flows, including the method and timing of decommissioning and estimates of future inflation.

A 0.5% increase in the credit-adjusted-risk-free rate (interest rate) would result in a \$3 million decrease to the asset retirement obligation, a \$1 million decrease to the asset retirement asset and no material impact on depreciation expense in the current year.

Strategic Priorities

SaskPower's mission is to provide safe, reliable, cost-effective and environmentally responsible power to customers. To achieve this mission, SaskPower has identified four strategic priorities that it must focus on in order to ensure its continued success.

a) Building Excellence in Customer Service Delivery

Customer focus and excelling in customer service involve concentrating on the many dimensions of customer satisfaction. This increased customer attention is both necessary and beneficial to long-term business sustainability. The Corporation is pursuing the following initiatives that will help SaskPower deliver excellence in customer services:

- implementing plans to enhance account management services to key/major account customers;
- Reviewing existing service processes that overlap between the Customer Services and Transmission and Distribution business units with an objective of optimizing service delivery processes;
- Implementing customer self-service capabilities (Internet/telephone) to enhance customer convenience and lower the Corporation's costs;
- Enhancing skills training for service personnel to ensure that they are capable of delivering on our service excellence promise; and
- Developing and implementing new green programming and pricing strategies that customers value.

The Corporation is striving to continue to provide excellent service to its customers through investment in asset maintenance to ensure that current levels of reliability can be maintained.

b) Developing SaskPower's People

It is important for SaskPower's future success that the focus on its people continues as it has for a number of years. Everything SaskPower does is achieved through its people and the Corporation's continued emphasis on supporting and developing its employees is key to future success.

i) Safety

A fundamental initiative that is well underway is SaskPower's safety program. Improving SaskPower's safety performance is absolutely essential and is a top priority for the Corporation. A number of activities underway are expected to advance in 2005. These include the establishment of a Corporate Safety Department and essential improvements to the Safety Management System. Among these improvements are consistent incident reporting and investigation methodologies; improving hazard identification and job planning assessment processes; reinforcing work observation practices; standardizing safety training; integrating safety with business processes and planning; employee safety orientation; and improving the safety culture within SaskPower.

ii) Succession Planning

A second challenge lies in the area of succession planning. In common with many utilities, SaskPower has an aging workforce and there has been relatively little turnover in recent years. The majority of SaskPower employees are within 10 to 15 years of retirement. Once these employees retire, the Corporation will be facing a potential shortfall of skilled workers. To address this issue, SaskPower has been promoting an expanded apprenticeship program and will continue to do so for the foreseeable future as trained electricians and power line technicians are in high demand across North America.

Similarly, the Corporation anticipates a high turnover in the managerial, supervisory and professional ranks. In this case, SaskPower has embarked upon a Leadership Development Program, designed to provide employees with training as leaders and managers. Also in progress for the executive and managerial level is the development of a Succession Planning Program. The new program will be based on competencies identified for key positions that are critical to the future of SaskPower. Once the competencies are established, the developmental activities incorporated into the program will be designed to close the gaps between succession planning candidates and the requirements of the Corporation's key positions.

iii) Diversity

SaskPower is also seeking to broaden the diversity of its workforce. In common with many Saskatchewan industries and businesses, SaskPower is attempting to increase the participation of Aboriginal people in the many career opportunities the Corporation offers. Location is a major barrier to progress in this area as a significant percentage of the Corporation's employees are situated in southern Saskatchewan, particularly in Estevan and Coronach where there are a limited number of Aboriginal candidates.

In 2004, the Corporation established a workforce profile to 2008 based on Saskatchewan's demographics. Diversity targets were then set to achieve this workforce profile. A recruitment strategy that addresses roles, sourcing, measurements and hiring principles was approved to support the Corporation's efforts to meet this objective. The targets and recruitment strategies will be reviewed at the end of the year. Other aspects of diversity, including women in non-traditional roles, visible minorities and people with disabilities are also being addressed.

iv) Cultural Change

SaskPower is also seeking to modify its internal culture to better position the Corporation for the new vision it will set for itself. Some of the initiatives in this area include the development of a Performance Management System for employees; a new Coaching for Performance approach to supervisory challenges; and an out-of-scope compensation and job evaluation project to ensure both areas are reflective of SaskPower's needs and meet marketplace expectations. These basic building blocks need to be in place to ensure the achievement of the Corporation's human resource goals. The ultimate objective is to have SaskPower become an "employer of choice" within the Saskatchewan marketplace, and within the industry on a national basis.

v) Relationship with SaskPower's Unions

An important component of future success depends on SaskPower's ability to maintain a successful relationship with its two unions – the International Brotherhood of Electrical Workers (IBEW) Union and the Communications, Energy and Paperworkers (CEP) Union. In January 2005, the Corporation agreed to a new collective bargaining agreement with the IBEW Union. As a part of the new agreement, an Employee Relations Council (ERC) comprised of management and union representatives was established. The objective is to establish and maintain ongoing communications in an effort to strengthen employee relations at SaskPower. The Corporation is continuing collective bargaining negotiations with the CEP Union. Upon completion of negotiations, SaskPower will also pursue avenues of enhancing employee relations with the CEP Union.

c) Promoting Environmental Stewardship

The future health of SaskPower will largely rely on the extent to which it can manage the environmental challenges it faces. Increasingly stringent environmental regulation will materially affect how the Corporation conducts its operations.

The operation of SaskPower's coal-fired generating facilities will be primarily affected, but no aspect of the Corporation's generating fleet is exempt. The Kyoto Protocol and the control of greenhouse gas emissions are the issues with the highest profile. The federal and provincial governments have yet to determine how the provisions of the Kyoto Protocol are to be effected, and what role corporations such as SaskPower will be expected to play in achieving the established goals.

There are other emission guidelines that the Corporation will have to address. These include New Source Emission Guidelines (involving sulphur dioxide (SO₂), nitrogen oxides (NO_x), particulates and other matter), Mercury Emission Guidelines and other possible substance or emission guidelines. It remains unclear as to how, to what extent, and when new regulations regarding these emissions will be developed and implemented. Increased stringency with respect to standards will mean sharply increased costs for producing the same amount of energy or, premature retirement of the existing fleet and the investment in other technologies to replace it.

Management of the rivers that SaskPower has dammed for hydro generating purposes is another area of increasing focus by a variety of stakeholders. This includes the federal Department of Fisheries and Oceans which is charged with ensuring the benign management of the prairie river systems. The continued use of rivers for power generation may be constrained in the future, especially projects involving the installation of significant hydro facilities.

Finally, the question of land use for transmission and distribution lines, including the management of vegetation control technologies, will remain a key area in which the Corporation's environmental stewardship will be stressed. The installation of new facilities requires consultation with a number of locally affected interests regarding routes and the management of the project in question. For existing lines, a key maintenance issue is the control of vegetation around the towers and lines through the manual clearing of vegetation and the application of approved herbicides on routes to control future growth. SaskPower is constantly seeking ways to achieve a sound level of vegetation control and improved reliability of the system itself.

SaskPower's commitment to environmental stewardship is articulated in the Corporation's environment policy - SaskPower is committed to protecting the environment while providing its customers with safe, reliable and cost-effective sources of electricity. The Corporation has embarked on the following projects and initiatives in compliance with the policy:

- Investing in wind power generation, including the 11-MW Cypress Wind Power Facility, 11-MW SunBridge Wind Power Project, and construction of a 150-MW wind power project at Rushlake Creek;
- Selecting projects to provide 13 MW of power generation for the first phase of the Environmentally Preferred Power (EPP) Program;
- Demonstrating small scale distributed generation technologies, including heat recovery, flare gas, biogas and solar energies;
- Utilizing heat from the Shand Power Station at SaskPower's Shand Greenhouse to grow and distribute nearly half a million tree seedlings annually province-wide;
- Working with the Canadian Clean Power Coalition, a joint venture of coal-fired electricity generators which contributes to the development of clean coal technology;
- Influencing awareness about electricity and the environment through educational programs, energy audits and efficiency initiatives, and contributing to the protection of the province's ecosystems;
- Partnering with larger customers through the Energy Performance Contracting (EPC) service, which reduces energy use in a cost-effective way through the retrofitting of lighting, cooling, ventilation and building automation systems; and
- Demonstrating an international mercury emissions project at Poplar River Power Station, involving new activated carbon injection technology

Through these and other initiatives, SaskPower is clearly demonstrating that environmental action is a fundamental part of the Corporation's approach to business.

d) Ensuring Sound Financial Management

Sound financial management is integral to ensuring that SaskPower continues to provide a reasonable return on the assets of the Corporation, as well as providing safe, reliable, cost effective and environmentally responsible power. The most significant financial challenges SaskPower faces include the following:

i) Fuel and Purchased Power

Fuel and purchased power costs are the Corporation's single largest expense and are subject to the greatest amount of volatility. Fuel and purchased power include the costs for coal, natural gas, hydro, purchased power and imports. These costs have doubled in the last six years, increasing from \$251 million in 1999 to \$500 million in 2004. Much of this increase is attributable to a shift in the mix of SaskPower's generation supply. In recent years, the Corporation has secured long-term supplies of generation, utilizing a more environmentally friendly fuel - natural gas. This includes the construction of the Cory Cogeneration Station, the Meridian Cogeneration Station and the repowering of the natural gas-powered Queen Elizabeth Power Station. However, fuel costs of gas-fired and cogeneration sources of generation are four to six times more expensive per unit of energy than coal-fired generation. This shift in the Corporation's fuel mix is affecting SaskPower's underlying cost structure.

The other factor that impacts the mix of generation in any given year is the availability of economical sources of generation, such as hydro and coal. Hydro generation is dependent upon water levels at the Corporation's hydro facilities while coal generation is a product of the availability of the Corporation's coal plants. When coal or hydro generation is not sufficiently operable other more expensive sources of generation, such as gas-fired generation or imports, must make up the difference.

SaskPower is actively engaged in fuel cost management activities for coal and natural gas. For coal-fired generation, these activities include a preventative maintenance program intended to maximize the amount of generation produced from these units. For natural gas-fired generation, the Corporation has a comprehensive natural gas hedging strategy intended to minimize the volatility of natural gas prices in 2005 and beyond.

ii) Operating and Maintenance Costs

SaskPower's generation, transmission and distribution facilities were constructed primarily during the period of sustained growth in Saskatchewan that occurred from the 1950s to the 1970s. Many facilities are now over 40 years of age and require, on an annual basis, large amounts of regular maintenance and lengthy overhaul periods. SaskPower is engaged in a program of planned maintenance designed to maximize operating efficiency and increase the useful life of these facilities.

iii) Realizing Business Improvement Benefits

During 1998 and 1999, SaskPower undertook a corporate-wide initiative to review, redesign and implement new operational processes and reporting methods. As part of the project, SaskPower replaced aging information technology systems with Systems, Applications and Products in Data Processing (SAP).

SaskPower, in consultation with the Provincial Auditor, is working to realize the expected benefits from its investment in SAP. The benefits include improved generation availability and performance efficiencies due to better work scheduling and operational improvements driven by the redesign effort.

The original cost to the Corporation to redesign its processes and install the SAP software system was \$58 million with planned operating expenditures of \$30 million over the first five years of operation. SaskPower originally expected to realize benefits from the project of \$167 million over the same period. The Corporation now expects to achieve approximately \$120 million of benefits as a result of this investment. The reduction in expected benefits was the result of difficulties experienced in measuring certain, less tangible, benefits and anticipated process changes that did not occur. As of December 31, 2004, the Corporation had realized estimated benefits of \$71 million.

Corporate Balanced Scorecard

SaskPower has developed a Corporate Balanced Scorecard to measure the Corporation's progress in achieving its four strategic priorities. Each priority is supported by a set of specific corporate objectives, measures and targets.

1: Building Excellence in Customer Service Delivery

Corporate Objectives	Measures	2003 Actual	2004 Actual	2004 Target	2005 Target
Exceeding customer expectation in services	Customer Satisfaction Index (%)	48	38	51	51
Maintaining service reliability	Reliability SAIDI	4.4	3.3	3.7	4.3
	Reliability SAIFI	1.8	1.7	1.7	1.7

Customer Satisfaction Index – is a measure of the percentage of customers who are "completely or very satisfied" with SaskPower's level of service. The 2004 target reflects SaskPower's commitment to continually improve the level of customer satisfaction. The 2004 results were below the Corporation's target and declined 21% over the previous year's results. Dissatisfaction with the system-wide rate increase among the major customers influenced the drop in satisfaction ratings. Considerable efforts will have to be made in 2005 and beyond to rebuild customer satisfaction.

Reliability System Average Interruption Duration Index (SAIDI) – is a measure of the average service interruption length in hours from a customer's point of view. This is used to track the performance in responding to outages. The SAIDI measure was better than target in 2004 and an improvement over 2003. The 2005 target has been increased to reflect an anticipated upward trend due to an aging infrastructure that is expected to impact the duration of outages.

Reliability System Average Interruption Frequency index (SAIFI) – is a measure of the average service interruption frequency from a customer's point of view. This is used to track the overall performance of SaskPower's distribution system. The SAIFI measure was on target in 2004 and a slight improvement over the prior year.

2. Developing SaskPower's People

Corporate Objectives	Measures	2003 Actual	2004 Actual	2004 Target	2005 Target
Ensuring the safety of our workforce	Safety Severity Rate	93	143	25	50
	Safety Frequency Rate	2.1	2.7	0.8	3.0
Building a representative workforce	New Diversity Hires (%)	24	25	21	N/A
Achieving a constructive culture	Number of employees who participated in the Leadership Development Program	84	97	100	120

N/A - measure not available

Safety Severity Rate – is a measure of the severity of injuries incurred at work during the year based on the number of days lost due to injury. The 2004 safety severity rate was off target due to an unexpected number of injuries. The Corporation remains committed to meeting its target through training and education. The 2005 target was revised to reflect what was considered to be a reasonable short-term target given the results of recent years. The long-term target is to be one of the top three utilities in Canada.

Safety Frequency Rate – is a measure of the number of injuries or illnesses that result in lost work time during the year. The 2004 safety frequency rate of 2.7 did not meet SaskPower's target due to the number of disabling incidents in 2004. The Corporation remains committed to meeting its target through training and education. The 2005 target was revised to reflect what was considered to be a reasonable short-term target given the results of recent years. The long-term target is to be one of the top three utilities in Canada.

Employment Diversity – is a measure of new hires in the four designated target groups (Aboriginal people, visible minorities, disabled persons and women in non-traditional roles) expressed as a percentage of total hires. The Corporation exceeded its diversity target in 2004. This measure is under revision for 2005.

Leadership Development Program – is a measure of the number of management and in-scope supervisory staff who participated in the Leadership Development Program. The long-term target is to train all management and supervisory staff. The number of staff who attended leadership training was just under the target for 2004 and above the actual results from 2003.

3. Promoting Environmental Stewardship

Corporate Objectives	Measures	2003 Actual	2004 Actual	2004 Target	2005 Target
Promoting alternative energy generation (Green Power Policy initiatives)	Cumulative Installed Green Power Portfolio (MW)	22	22	22	185
Promoting sound environmental practices	Environmental Management System Audits Conducted	16	16	16	16

Green Power Portfolio – is a measure of the total installed capacity from green power projects intended to produce low environmental impact power using evolving technologies. The cumulative installed capacity from green power projects met the target in 2004. The 2005 target is based on the expansion of the wind capacity and the EPP Program.

Environment Management System Audits Conducted – is a measure of the number of audits conducted each year on SaskPower's ISO registered units. There were 16 internal and external environmental audits completed in 2004 for ISO 14001 certification.

4. Ensuring Sound Financial Management

Corporate Objectives	Measures	2003 Actual	2004 Actual	2004 Target	2005 Target
Achieving SaskPower's financial targets	Return on Equity (%)	13.6	4.8	8.1	5.9
	Debt Ratio (%)	56.5	58.2	59.0	62.3
	Consolidated Net Income (\$ millions)	187	66	112	83
	Saskatchewan Content in SaskPower Purchases (%)	78	83	75	75
Maximizing low cost generation	Coal Equivalent Availability Factor (EAF%)	82.9	87.1	85.3	86.1
Achieving subsidiaries' financial targets	SaskPower International Net Income (\$ millions)	2	1	1	—
	NorthPoint Net Income (\$ millions)	6	7	4	7

Return on Equity – is a measure of net income expressed as a percentage of total equity. The target reflects an appropriate rate of return relative to other Canadian electrical utilities. The return on equity was significantly lower than targeted primarily due to the decrease in net income as a result of high fuel and purchased power costs and a lower than expected rate increase.

Debt Ratio – is a measure of debt expressed as a percentage of the total corporate financing structure. The target reflects a prudent level of debt for an electrical utility. The 2004 debt ratio of 58.2% was below the target of 59.0%. The increase in the debt ratio over 2003 is primarily due to the additional borrowing of \$400 million in 2004. The increase was offset by debt repayments, sinking fund installments and the effect of the decline in the value of the Corporation's U.S. dollar denominated debt as a result of a U.S.\$0.057 increase in the Canadian dollar relative to the U.S. dollar.

Consolidated Net Income – is a measure of the accumulated net income of SaskPower and its subsidiaries after adjusting for inter-company transactions. The target reflects the income required to meet the return on equity and debt ratio targets. The 2004 consolidated net income was \$66 million lower than targeted primarily due to high fuel and purchased power costs and a lower than expected rate increase.

Saskatchewan Content in SaskPower Purchases – is a measure of the percentage of goods and services that were procured from Saskatchewan vendors (excluding fuel and purchased power). The Corporation exceeded its Saskatchewan content in SaskPower purchases target.

Coal Equivalent Availability Factor – is a measure of the overall availability of the coal units in a given period, to generate at their maximum continuous rating. The coal unit availability was better than targeted due to the success of SaskPower's process improvement program and the capital investment in upgrades and refurbishments.

SaskPower International Net Income – is a measure of the net income of the subsidiary. SaskPower International achieved its net income target.

NorthPoint Net Income – is a measure of the net income of the subsidiary. NorthPoint's net income results exceeded target.

Risk Management

SaskPower's Board of Directors ("Board") approves the risk management framework for the Corporation. The framework includes the risk exposure guidelines, tolerances and control structures within which management will conduct SaskPower's business. The Risk Management Committee, chaired by the president and CEO, is responsible for implementing the Board-approved policies and for directing and monitoring the development, implementation, conduct, control and reporting of SaskPower's risk management activities.

The following risk exposures are the major factors that could affect SaskPower's future results.

a) Operational Risk

SaskPower's generation, transmission and distribution assets are subject to equipment failure, which may lead to outages. SaskPower completes regular maintenance and major upgrades to mitigate the risk of an outage. Additionally, a significant portion of SaskPower's labour force is unionized. SaskPower's operations may be disrupted in the event of a labour dispute. The Corporation has recently signed a new

three-year collective bargaining agreement with its largest union, the International Brotherhood of Electrical Workers. The Corporation is currently in collective bargaining negotiations with its other union, the Communications, Energy and Paperworkers Union.

Uncontrollable risks also may impact SaskPower's operations. As an example, low water levels may reduce the availability of hydro electricity and severe storms may result in temporary outages.

SaskPower is also subject to risks such as an accidental loss of assets, business interruption and liability suits. The Corporation utilizes two methods for dealing with these risks. Loss prevention methods are applied in instances where the risks can be controlled, eliminated or transferred. Loss prevention involves engineering, administrative and operating staff working to identify risks and the development of loss prevention solutions. Secondly, SaskPower purchases insurance to minimize its exposures to certain risks. SaskPower primarily seeks insurance for catastrophic events only and the deductibles on the major insurance types are set so that premiums are maintained at reasonable levels.

b) Commodity Price Risk

SaskPower primarily has an exposure to fluctuations in the prices of coal and natural gas used in the generation of electricity and an exposure to variability in the export prices of electricity.

SaskPower has minimized the coal price exposure by securing long-term fixed price fuel supply contracts for its coal-fired generation. The contracts in place expire no earlier than 2009.

Short-term spot prices for natural gas have been very volatile in 2003 and 2004, underscoring the need for a solid risk management strategy. SaskPower's natural gas price risk management plan targets a balanced approach to managing costs at a reasonable level through the use of physical purchases, storage and financial instruments. An objective of the plan is to reduce the risk related to natural gas price volatility while still maintaining some upside potential if prices decline.

Additionally, SaskPower's electricity trading activities are exposed to fluctuations in electricity prices. The Board has approved limits on the maximum size, type and level of risk of a transaction. As at December 31, 2004, SaskPower had no significant open positions.

c) Foreign Exchange Rate Risk

SaskPower has exposure to various currencies due to long-term debt, electricity trading activities and the acquisition of goods and services from foreign suppliers. The Corporation manages the exposures using a variety of hedging instruments, including foreign currency forward contracts and cross-currency swaps. Hedging activities are conducted in accordance with Board-approved guidelines and are regularly reported to the Risk Management Committee.

The most significant exposure is associated with SaskPower's long-term debt denominated in U.S. dollars. As at December 31, 2004, SaskPower had hedged approximately 82% of its U.S. dollar exposure related to the long-term debt. SaskPower plans to hedge its remaining exposure by December 31, 2005.

d) Credit Risk

Credit risk exposure is the risk that a counterparty will fail to perform its present or future obligations resulting in a loss to the Corporation. As an example, credit risk exposure may be quantified as the cost of replacing a physical or financial instrument or the loss incurred when a counterparty fails to make payment on billed invoices.

Credit risk is managed by adhering to approved credit policies established by management and approved by the Board. Ongoing monitoring of all material counterparties is in place to ensure credit limits are reduced or eliminated as market events occur. As at December 31, 2004, all credit exposures were within the limits stated in the approved guidelines.

e) Changing Environmental Regulations

SaskPower is actively engaged with provincial and federal authorities to monitor and, where possible, guide emerging environmental regulations which would affect SaskPower's operations. While there is considerable uncertainty regarding the details of these emerging changes, SaskPower anticipates that a general reduction in air emissions and greater care of affected habitats will be required over the next decade. These changes will increase the cost of producing and delivering electric power.

SaskPower considers a range of outcomes in each area of environmental regulation when undertaking long-term commitments. The Corporation's financial models reflect a most likely outcome and stress scenarios.

Report of Management

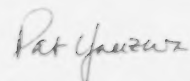
The consolidated financial statements of Saskatchewan Power Corporation (SaskPower) are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles applied on a basis consistent with that of the preceding year. The preparation of financial statements necessarily involves the use of estimates based on management's best judgement, particularly when transactions affecting the current period cannot be finalized with certainty until future periods. In management's opinion, the consolidated financial statements have been properly prepared within the framework of selected accounting policies summarized in the consolidated financial statements and incorporate, within reasonable limits of materiality, information available up to February 4, 2005. The financial information presented in the Management's Discussion and Analysis (MD&A) and elsewhere in this report is consistent with that in the consolidated financial statements.

Management maintains appropriate systems of internal control which provide reasonable assurance that the Corporation's assets are safeguarded and appropriately accounted for, financial records are relevant, reliable and accurate and transactions are executed in accordance with management's authorization. This system includes corporate-wide policies and procedures, as well as the appropriate delegation of authority and segregation of responsibilities within the organization. An internal audit function independently evaluates the effectiveness of these controls on an ongoing basis and reports its findings to management and the Audit and Finance Committee of the Board of Directors.

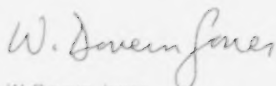
The Board of Directors, through the Audit and Finance Committee, is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. The Audit and Finance Committee consists entirely of outside directors. At regular meetings the Committee reviews audit, internal control and financial reporting matters with management, internal auditors and external auditors to satisfy itself that each is properly discharging its responsibilities. The MD&A, consolidated financial statements and external auditors' report have been reviewed by the Audit and Finance Committee and have been approved by the Board of Directors. The internal and external auditors have full and open access to the Audit and Finance Committee, with and without the presence of management.

The consolidated financial statements have been examined by Deloitte & Touche LLP, Chartered Accountants, as appointed by the Crown Investments Corporation of Saskatchewan and approved by the Lieutenant-Governor in Council. The external auditors' responsibility is to express their opinion on whether the consolidated financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditors' Report, which follows, outlines the scope of their examination and sets forth their opinion.

On behalf of Management,



Pat Youzwa
President and Chief Executive Officer
February 4, 2005



W. Davern Jones
Vice-President and Chief Financial Officer

Auditors' Report

To the Members of the Legislative Assembly of Saskatchewan

We have audited the consolidated statement of financial position of Saskatchewan Power Corporation as at December 31, 2004, and the consolidated statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2004, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Regina, Saskatchewan
February 4, 2005

Consolidated Statement of Income and Retained Earnings
(in millions)

For the year ended December 31	2004	2003
Revenue		
Electric sales		
Saskatchewan	\$ 1,132	\$ 1,104
Export (Note 3)	97	113
Other	28	26
Total revenue	1,257	1,243
Expense		
Fuel and purchased power (Note 3 & 4)	500	502
Operating, maintenance and administration	317	301
Depreciation (Note 5)	189	186
Finance charges (Note 6)	160	152
Taxes (Note 7)	28	29
Total expense	1,194	1,170
Income before foreign exchange gains and equity investment income	63	73
Foreign exchange gains	3	113
Equity investment income	-	1
Net income	66	187
Retained earnings, beginning of year	723	705
Dividends	(59)	(169)
Retained earnings, end of year	\$ 730	\$ 723

See accompanying notes

Consolidated Statement of Financial Position

(in millions)

As at December 31	2004	2003
Assets		
Current assets		
Cash and short-term investments (Note 8)	\$ 104	\$ 4
Accounts receivable and unbilled revenue	149	157
Materials, fuel and supplies	118	116
	371	277
Property, plant and equipment (Note 9)		
Property, plant and equipment	5,753	5,555
Less: Accumulated depreciation	2,529	2,356
	3,224	3,199
Construction in progress	120	61
	3,344	3,260
Other assets (Note 10)	115	73
Total assets	\$ 3,830	\$ 3,610
Liabilities and equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 173	\$ 173
Accrued interest	51	45
Short-term advance (Note 11)	—	30
Current portion of long-term debt (Note 12)	93	75
Dividend payable	14	95
	331	418
Long-term debt (Note 12)	1,948	1,696
Other liabilities (Note 13)	161	113
Total liabilities	2,440	2,227
Equity		
Equity advances (Note 14)	660	660
Retained earnings	730	723
Total equity	1,390	1,383
Total liabilities and equity	\$ 3,830	\$ 3,610

Commitments and contingencies (Note 16)

See accompanying notes

On behalf of the Board:



Patricia A.G. Quaroni, LLB
Chair



Lyn Kristoff, CA
Director

Consolidated Statement of Cash Flows

(in millions)

For the year ended December 31

	2004	2003
Operating activities		
Net income	\$ 66	\$ 187
Add (deduct) items not involving cash:		
Depreciation	189	186
Foreign exchange gains	(3)	(113)
Defined benefit pension plan expense	3	3
Sinking fund earnings	(8)	(9)
Equity investment income	—	(1)
Other	(2)	—
Operating cash flow	245	253
Net change in non-cash working capital (Note 17)	44	(53)
Cash provided by operating activities	289	200
Investing activities		
Property, plant and equipment	(271)	(253)
Escrow fund deposits	(18)	—
Equity investment	—	(2)
Cash used in investing activities	(289)	(255)
Decrease in cash before financing activities	—	(55)
Financing activities		
Advances from the Province of Saskatchewan		
Canadian dollar denominated debt – proceeds	400	200
– repayment	(58)	(73)
United States dollar denominated debt – repayment	—	(69)
Short-term advance (repayment) proceeds	(30)	30
Non-recourse debt – repayment	(2)	—
Sinking fund installments net of redemptions	(17)	(4)
Debt premium net of issue costs	6	5
Defined benefit pension plan contribution (Note 20)	(7)	—
Dividends paid	(140)	(93)
Other agreements payable (Note 17)	(52)	(30)
Cash provided by (used in) financing activities	100	(34)
Increase (decrease) in cash and short-term investments	100	(89)
Cash and short-term investments, beginning of year	4	93
Cash and short-term investments, end of year	\$ 104	\$ 4
Supplemental information:		
Cash paid for interest	\$ 173	\$ 168
Cash paid for grants-in-lieu of taxes	14	13
Cash paid for capital tax	16	14

See accompanying notes

Notes to the Consolidated Financial Statements

As at December 31, 2004

1. Status of the Corporation

Saskatchewan Power Corporation (SaskPower; the Corporation), a provincially-owned Crown corporation, generates, purchases, transmits, distributes and sells electricity and related products and services. Founded as the Saskatchewan Power Commission in 1929, SaskPower was set up in 1949 and operates primarily under the mandate and authority of *The Power Corporation Act*.

By virtue of *The Crown Corporations Act*, 1993, SaskPower has been designated a subsidiary of Crown Investments Corporation of Saskatchewan (CIC), a provincial Crown corporation. Accordingly, the financial results of the Corporation are included in the consolidated financial statements of CIC. As a provincial Crown corporation, the Corporation is not subject to federal income tax, provincial income tax or federal large corporations tax.

2. Summary of Significant Accounting Policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following accounting policies are considered significant:

(a) Use of Estimates

The timely preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Actual results could differ from those estimates, which may impact the actual results reported in future periods.

(b) Consolidation and Investments

These consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries, NorthPoint Energy Solutions Inc. (NorthPoint), Power Greenhouses Inc. (Shand Greenhouse) and SaskPower International Inc. (SaskPower International). All inter-company transactions have been eliminated on consolidation. Separate audited financial statements are prepared for each subsidiary.

The Corporation accounts for its joint venture interests using the proportionate consolidation method.

The Corporation accounts for investments over which it exerts significant influence using the equity method. The investment is initially recorded at cost and the carrying value adjusted thereafter to include the Corporation's proportionate share of post acquisition earnings of the investment.

(c) Short-Term Investments

Short-term investments have an average maturity date of 90 days or less from the date of acquisition. These investments are carried at cost which approximates market value.

(d) Materials, Fuel and Supplies

Maintenance materials, fuel, supplies and plant repair parts are recorded at the lower of average cost and net realizable value. Materials are charged to inventory when purchased and then expensed or capitalized when installed.

(e) Property, Plant and Equipment

Property, plant and equipment is recorded at cost and includes material, direct labour, overhead costs and interest during construction. The Corporation capitalizes interest based on the weighted average cost of long-term borrowings.

Costs are capitalized provided there is reasonable certainty they will provide benefits into the future. Significant renewals and enhancements to existing assets are capitalized only if the service life of the asset is increased, physical output, service capacity or quality is improved above original design standards, or operating costs are reduced by a substantial and quantifiable amount. Maintenance and repair costs are expensed as incurred.

Contributions in aid of construction are funds received from certain customers toward the costs of service extensions. Contributions are netted against property, plant and equipment and are amortized over the estimated service life of the related asset.

Assets under construction are recorded as construction in progress until they are operational and available for use, at which time they are transferred to property, plant and equipment.

(f) Depreciation

Depreciation is calculated on a straight-line basis over the estimated service life of the related asset. Estimated service lives of the assets are periodically reviewed and any changes are applied prospectively. Depletion on long-term coal properties is calculated using the unit of production method based on estimated proven reserves.

The average estimated service life of new assets for the major categories of property, plant and equipment are:

Asset	Average Service Life in Years
Generation:	
Coal	30 years
Natural gas	24 years
Hydro	50 years
Cogeneration	30 years
Wind	20 years
Transmission	35 – 50 years
Distribution	35 – 40 years
Other	3 – 50 years

Depreciation expense also includes the gain or loss on both the complete and partial disposal of assets and accretion expense on asset retirement obligations discussed in Note 2 (g).

(g) Asset Retirement Obligations

The Corporation recognizes asset retirement obligations in the period they are incurred if a reasonable estimate of fair value (net present value) can be determined. An asset retirement obligation is a legal obligation associated with the decommissioning of a long-lived asset. The Corporation recognizes asset retirement obligations to decommission coal, gas and wind generation facilities in the period in which the facility is commissioned. A reasonable estimate of fair value for the transmission, distribution and hydro generation assets cannot be determined as these assets are expected to be maintained and operated indefinitely. Therefore, no obligation has been recorded.

The fair value of the estimated asset retirement costs is recorded as a liability in other liabilities with an offsetting amount capitalized and included as part of property, plant and equipment. The asset retirement obligations are increased annually for the passage of time by calculating accretion (interest) on the liability while the offsetting capitalized asset retirement costs are depreciated over the estimated useful life of the related asset. The accretion expense is calculated using an interest rate that equates to a risk-free interest rate adjusted for the credit standing of the Corporation and is included with depreciation expense. (See Note 13)

The calculations of fair value are based on detailed studies that take into account various assumptions regarding the anticipated future cash flows including the method and timing of decommissioning and estimates of future inflation.

Asset retirement obligations are revised periodically in accordance with changes in assumptions and estimates underlying the calculations and with experience arising from the removal of property, plant and equipment. Changes are recognized as an increase or decrease in the carrying amount of the liability for the asset retirement obligation and the related asset retirement cost.

(h) Asset Impairment

The Corporation evaluates its property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. An impairment is recognized when the carrying amount of an asset exceeds the undiscounted projected future net cash flows expected from its use and disposal. It is measured as the amount by which the carrying amount of the asset exceeds its fair value. As at December 31, 2004, the Corporation determined that there was no impairment of value to its long-lived assets and therefore no write down was required.

(i) Environmental Remediation Liabilities

Environmental remediation liabilities are accrued when the occurrence of an environmental expenditure, related to present or past activities of the Corporation, is considered probable and the costs of remedial activities can be reasonably estimated. These estimates include costs for investigations, remediation, operations, maintenance and monitoring at identified sites. These liabilities are based on management's best estimate considering current environmental laws and regulations and the estimates have been recorded at undiscounted amounts. The Corporation reviews its estimates of future environmental expenditures on an ongoing basis.

(j) Financial Instruments

Financial instruments (derivatives) are utilized by the Corporation to reduce foreign currency and natural gas price exposure. The Corporation utilizes hedge accounting to record gains and losses relating to derivatives that are designated as hedges. Under hedge accounting, gains and losses are deferred and recognized in the same period and financial statement category as the related items hedged. Financial instruments are used only for hedging purposes.

Effective January 1, 2004, the Corporation formally adopted Canadian Institute of Chartered Accountants (CICA) accounting guideline, "Hedging Relationships." In order to qualify for hedge accounting, the derivatives must be designated by management as being a hedge and must be effective. The Corporation designates derivatives as being a hedge through the formal documentation of all relationships between hedging instruments and hedged items, as well as by its risk management policy and strategy for undertaking various hedge transactions. This process includes linking all derivatives to specific assets and liabilities on the balance sheet or to specific firm commitments or anticipated transactions.

Management ensures the hedge effectiveness for foreign currency derivatives is achieved by matching (both at inception and over the term of the instrument) the term to maturity, the (notional) principal amount and the interest rate basis in the instruments to the terms of the debt instrument being hedged. With respect to natural gas hedges, the Corporation assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in the gas hedging transactions are highly effective in offsetting changes in the cash flows of hedged items. Upon adoption of the accounting guideline, there was no impact on the consolidated financial statements of the Corporation.

(k) Foreign Currency Translation

Revenues and expenditures resulting from transactions in foreign currencies are translated into Canadian dollars at the exchange rates in effect at the transaction date. Monetary assets and liabilities denominated in a foreign currency are translated using the exchange rate in effect on the balance sheet date. Any resulting foreign currency translation gains and losses are included in the consolidated statement of income in the current period.

(l) Revenue Recognition

Electrical revenue is recognized upon delivery to the customer and includes an estimate of electrical deliveries not yet billed at year-end.

Electricity trading revenues are reported on a gross basis unless the Corporation is acting in the capacity of an agent or a broker, in which case revenues are recorded net of purchases. Through its subsidiary NorthPoint, SaskPower acts as a principal in electricity trading transactions taking title to the electricity purchased for resale and assuming the risks and rewards of ownership. Therefore, electricity trading revenues are recorded on a gross basis.

Electricity pricing in Saskatchewan is subject to review by the Saskatchewan Rate Review Panel (the Panel) with final approval by cabinet. In 2004, the Corporation submitted a rate application requesting a 9% system-wide average rate increase effective September 1, 2004, which the cabinet approved as an interim rate increase. In December 2004, the Panel recommended to cabinet a system-wide average rate increase of 5.65%. In January 2005, cabinet accepted the Panel's recommendation and approved a rate increase of 5.65% for SaskPower customers, retroactive to September 1, 2004. This adjusted rate increase is reflected in revenues in the consolidated statement of income.

(m) Debt Premium and Issue Costs

Debt premium and issue costs are amortized on a straight-line basis over the term of the respective debt issue and are included in other assets or liabilities as appropriate.

(n) Employees' Future Benefits

The Corporation provides pension plans for all eligible employees, including a defined contribution pension plan and a defined benefit pension plan. The defined benefit pension plan (the Plan) is governed by *The Superannuation (Supplementary Provisions) Act and Regulations*, as well as *The Power Corporation Superannuation Act*. The defined contribution pension plan is governed by *The Public Employees Pension Plan Act and Regulations* and certain sections of *The Superannuation (Supplementary Provisions) Act and Regulations*.

Under the defined contribution pension plan, the Corporation's obligations are limited to contributions made for current service. When made, these contributions are charged to income.

The defined benefit pension plan, substantially closed to new members since 1977, provides benefits based on the average of the highest five years' salary and years of service. At the discretion of the Lieutenant Governor in Council, pensions may be increased annually up to the rate of increase in the Consumer Price Index. The cost of pension benefits under this Plan is actuarially determined using the projected benefit method prorated on service. It reflects management's best estimates of future investment performance, wage and salary escalation, age at retirement and future pension indexing up to the rate of inflation. Market rates are used to measure the accrued benefit obligation and fair value to measure the pension plan assets. The estimated transitional asset that resulted from the adoption of the CICA Handbook Section 3461 is being amortized over the average remaining service life of the employees in the Plan. The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service life of the employees in the Plan.

The Corporation provides severance plans for all eligible employees, including defined contribution and defined benefit severance plans. Under the defined contribution severance plan, SaskPower's obligations are limited to contributions made for current service. The cost of severance benefits under the defined benefit severance plans is determined using the projected benefit method prorated on service and reflects management's best estimates of future wages, number of eligible employees and average age at retirement. The estimated transitional obligation is being amortized over the average remaining service life of the employees in the defined benefit severance plans.

The Corporation provides a supplementary superannuation plan for certain management employees who elect to forego their entitlement to banked days off. SaskPower's current period expense is limited to yearly notional contributions to the plan based upon the employee's salary and an amount allocated for interest on the employee's plan balance.

The Corporation also provides lifetime superannuation allowances and bridge allowances to employees who choose to retire under various early retirement options. The cost of these benefits is actuarially determined by calculating the present value of all future benefit entitlements.

3. Electricity Trading (in millions)

Included in export sales and fuel and purchased power are revenues and expenses relating to electricity trading activities performed by NorthPoint as follows:

	2004	2003
Electricity trading sales	\$ 31	\$ 21
Cost of electricity	27	17
Gross margin from electricity trading	\$ 4	\$ 4

4. Fuel and Purchased Power (in millions)

	2004	2003
Coal-fired generation	\$ 176	\$ 164
Natural gas generation	67	85
Hydro generation	8	10
Purchased power	182	189
Imports	67	54
	<u>\$ 500</u>	<u>\$ 502</u>

Purchased power includes the cost of electricity obtained through power purchase agreements with the Cory Cogeneration Station, Meridian Cogeneration Station and the SunBridge Wind Power Project which are located within Saskatchewan. Imports represent electricity purchased from suppliers that have power plants located outside Saskatchewan.

5. Depreciation (in millions)

	2004	2003
Depreciation expense	\$ 197	\$ 194
Accretion expense	2	1
Amortization of contributions in aid of construction	(10)	(9)
	<u>\$ 189</u>	<u>\$ 186</u>

6. Finance Charges (in millions)

	2004	2003
Interest on long-term debt	\$ 174	\$ 165
Other interest and charges	1	3
Less: Sinking fund earnings	(8)	(9)
Interest income	(4)	(4)
Capitalized interest	(3)	(3)
	<u>\$ 160</u>	<u>\$ 152</u>

7. Taxes (in millions)

	2004	2003
Grants-in-lieu of taxes to 13 cities	\$ 14	\$ 14
Saskatchewan corporate capital tax	12	14
Other	2	1
	<u>\$ 28</u>	<u>\$ 29</u>

In addition to the above, SaskPower collected a municipal surcharge, between 5 and 10% of residential electrical revenues, on behalf of 419 Saskatchewan cities, towns and villages from customers and remitted \$36 (2003 - \$35) to local governments pursuant to Section 36 of *The Power Corporation Act*.

8. Cash and Short-Term Investments (in millions)

	2004	2003
(Overdraft) cash	\$ (5)	\$ 4
Short-term investments	109	—
	<u>\$ 104</u>	<u>\$ 4</u>

Short-term investments earned interest at an average rate of 2.37% (2003 - 2.82%) per annum.

9. Property, Plant and Equipment (in millions)

	2004				2003			
	Cost	Accumulated Depreciation	Construction in Progress	Net Book Value	Cost	Accumulated Depreciation	Construction in Progress	Net Book Value
Generation	\$ 2,868	\$ 1,332	\$ 73	\$ 1,609	\$ 2,794	\$ 1,247	\$ 17	\$ 1,564
Cogeneration	136	9	—	127	134	4	—	130
Transmission	631	266	21	386	621	251	7	377
Distribution	1,656	658	14	1,012	1,588	614	1	981
Other	462	264	12	210	418	240	30	208
	\$ 5,753	\$ 2,529	\$ 120	\$ 3,344	\$ 5,555	\$ 2,356	\$ 61	\$ 3,260

Included in the above amounts are unamortized reconstruction charges and customer contributions of \$243 (2003 – \$241).

10. Other Assets (in millions)

	2004	2003
Investment in MRM Cogeneration Station	\$ 25	\$ 25
Deferred assets	34	16
Defined benefit pension asset	22	16
Escrow fund deposits	18	—
Prepaid expense	8	7
Carbon offsets	6	5
Debt issue costs	2	2
	\$ 115	\$ 73

MRM Cogeneration Station

In 2001, the Corporation, through its subsidiary SaskPower International, acquired an ownership interest in the MRM Cogeneration Station. The 170-MW natural gas-fired cogeneration facility is located at the Athabasca Oil Sands Project's Muskeg River Mine, north of Fort McMurray, Alberta. The cogeneration station commenced commercial operations in January 2003.

Ownership interests in the MRM Cogeneration Station are as follows:

ATCO Power Canada Ltd.	56%
SaskPower International Inc.	30%
ATCO Resources Ltd.	14%

Deferred Assets

Deferred assets include payments made in accordance with long-term coal supply agreements. Payments were made as part of a financing arrangement related to the sale of certain mining assets and capital repairs on mining equipment. The Corporation is amortizing the deferred assets over the remaining life of the long-term coal supply agreements.

Escrow Fund Deposits

These deposits relate to the development of a 150-MW wind generation project at Rushlake Creek. As part of the project agreement, a down payment was made in advance and is being held in an escrow fund account.

11. Short-Term Advance (in millions)

	2004	2003
Province of Saskatchewan's General Revenue Fund	\$ —	\$ 30

The \$30 short-term advance issued on December 31, 2003, at an interest rate of 2.75% matured on January 7, 2004.

12. Long-Term Debt (in millions)

SaskPower's gross debt consists of \$2,086 of recourse debt and \$95 of non-recourse debt. The recourse debt is comprised of advances from the Province of Saskatchewan, substantially all of which have annual sinking fund requirements. The non-recourse debt is used to finance the Cory Cogeneration Station. Under the terms of this debt, lenders have recourse limited to the Station's assets.

Long-Term Debt Repayment Schedule and Details of Debt

Years to Maturity	2004			2003		
	Principal Outstanding United States Dollars	Canadian Dollars	Average Interest Rate (%)	Principal Outstanding United States Dollars	Canadian Dollars	Average Interest Rate (%)
Recourse debt						
Advances from the Province of Saskatchewan						
Canadian dollar denominated debt						
1-5 years		\$ 261	10.41		\$ 316	10.96
6-10 years		—	—		3	9.22
16-20 years		240	9.60		240	9.60
21-25 years		100	8.75		100	8.75
26-30 years		800	5.98		400	6.25
		1,401	7.62		1,059	8.66
United States dollar denominated debt						
1-5 years	\$ 194	234	7.13	\$ 194	250	7.13
6-10 years	75	90	7.38	75	97	7.38
16-20 years	300	361	8.79	300	388	8.79
	569	685	8.04	569	735	8.04
Gross recourse debt		2,086			1,794	
Non-recourse debt						
1-25 years		95	7.38		97	7.37
Gross non-recourse debt		95			97	
Gross long-term debt		2,181			1,891	
Less sinking fund balances:						
Canadian dollar balances		(69)			(55)	
United States dollar balances	(59)	(71)		(50)	(65)	
		(140)			(120)	
Long-term debt, net of sinking funds		2,041			1,771	
Less current portion of long-term debt:						
Long-term debt due within one year		(75)			(60)	
Sinking fund installments due within one year		(18)			(15)	
		(93)			(75)	
Long-term debt		\$ 1,948			\$ 1,696	

Advances from the Province of Saskatchewan

Date of Issue	Date of Maturity	Rate (%)	Currency	Outstanding Amount (in millions)
January 10, 1985, to December 10, 1985	January 10, 2005, to December 10, 2005	10.80 to 12.57	Canadian Dollar	\$ 72
January 10, 1986, to December 1, 1989	January 10, 2006, to December 1, 2009	9.12 to 10.72	Canadian Dollar	189
February 4, 1992	February 4, 2022	9.60	Canadian Dollar	240
May 30, 1995	May 30, 2025	8.75	Canadian Dollar	100
August 8, 2001	September 5, 2031	6.40	Canadian Dollar	200
January 15, 2003	September 5, 2031	6.40	Canadian Dollar	100
May 12, 2003	September 5, 2033	5.80	Canadian Dollar	100
January 14, 2004	September 5, 2033	5.80	Canadian Dollar	200
October 5, 2004	September 5, 2035	5.60	Canadian Dollar	200
				\$ 1,401
March 15, 1993	March 15, 2008	7.13	United States Dollar	\$ 194
July 20, 1993	July 15, 2013	7.38	United States Dollar	75
December 20, 1990	December 15, 2020	9.38	United States Dollar	100
July 21, 1992	July 15, 2022	8.50	United States Dollar	200
				\$ 569

Non-recourse Debt (in millions)

Date of Issue	Date of Maturity	Rate (%)	Currency	Outstanding Amount (in millions)
April 26, 2001	March 31, 2005, to December 31, 2025	7.59	Canadian Dollar	\$ 48
April 26, 2001	March 31, 2005, to June 30, 2026	7.60	Canadian Dollar	42
October 4, 2002	March 31, 2005, to December 31, 2011	B.A. * + 1.13	Canadian Dollar	5
				\$ 95

* A Bankers Acceptance is an instrument that is created by a non-financial firm and accepted and guaranteed by the bank. This rate is based on the average rates from eight Canadian Banks with the high and low rates omitted from the average.

As at December 31, 2004, scheduled debt retirement requirements for the next five years are as follows (in millions):

	2005	2006	2007	2008	2009
Recourse debt	\$ 72	\$ 49	\$ 63	\$ 308	\$ 3
Non-recourse debt	3	3	3	3	4
	\$ 75	\$ 52	\$ 66	\$ 311	\$ 7

Sinking Funds (in millions)

Under conditions attached to certain advances from the Province of Saskatchewan, the Corporation is required to pay annually into sinking funds administered by Saskatchewan Finance, amounts at least equal to 1% of certain debt outstanding. As at December 31, 2004, scheduled sinking fund installments for the next five years are as follows:

	2005	2006	2007	2008	2009
Sinking fund annual contribution	\$ 18	\$ 18	\$ 18	\$ 18	\$ 16

13. Other Liabilities (in millions)

	2004	2003
Asset retirement obligations	\$ 29	\$ 27
Environmental remediation liabilities	54	54
Cross-currency swaps	62	22
Employees' future benefits	6	6
Debt premium	10	4
	\$ 161	\$ 113

Asset retirement obligations (in millions)

A reconciliation between the opening and closing asset retirement obligation balance is provided below:

	2004	2003
Asset retirement obligations, beginning of year	\$ 27	\$ 25
Liabilities incurred in the period	—	1
Liabilities settled in the period	—	—
Accretion expense	2	1
Asset retirement obligations, end of year	\$ 29	\$ 27

SaskPower estimates the undiscounted amount of cash flows required to settle the asset retirement obligation is approximately \$122, which will be incurred between 2007 and 2042. The majority of these costs will be incurred between 2027 and 2036. Discount rates between 5.25 and 6.04% were used to calculate the carrying value of the asset retirement obligation. No funds have been set aside by the Corporation to settle the asset retirement obligations.

14. Equity Advances (in millions)

The Corporation does not have share capital. However, the Corporation has received advances from CIC to form its equity capitalization. The advances reflect an equity investment in the Corporation by CIC.

15. Financial Risk Management (in millions)

By virtue of its operations, the Corporation is exposed to changes in the United States/Canadian dollar exchange rate, the price of natural gas and interest rates. The Corporation utilizes a number of financial instruments to manage these exposures. Financial instruments are not used for trading or speculative purposes. The Corporation mitigates risk associated with these financial instruments through Board-approved policies, limits on use and amount of exposure, internal monitoring, and compliance reporting to senior management and the Board.

Foreign Exchange Risk

The Corporation has an exposure to the United States/Canadian dollar exchange rate primarily through the long-term United States dollar denominated debt that has been incurred by the Corporation. This risk includes exposure to fluctuations in the Canadian dollar equivalent value of both the principal and coupon payments associated with this debt as the foreign exchange rate changes. The Corporation utilizes cross-currency swaps to offer protection from fluctuations on substantially all of the United States dollar denominated debt that is due in the future.

Interest Rate Risk

The Corporation is exposed to interest rate risk on the maturity of its long-term debt, however this risk is considered low. As a result, the Corporation had no financial contracts in place to offset interest rate risk as of December 31, 2004.

Commodity Price Risk

The Corporation is exposed to gas price risk through gas purchased for its gas-fired power plants and through the gas purchased for use in certain power purchase agreements. As at December 31, 2004, the Corporation had entered into natural gas contracts to manage a portion of the price risk of natural gas.

The Corporation is exposed to electricity price risk on its electricity trading activities. Electricity trading risks are managed through limits on the size and duration of transactions and open positions. Forward commitments must be backed by physical supply.

Credit Risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. Concentrations of credit risk relate to groups of customers or counterparties that have similar economic or industry characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

SaskPower's credit risk relates to customer accounts receivable and unbilled revenue, short-term investments, and counterparties to financial hedges and commodity transactions. Customer accounts receivable and unbilled revenue is diversified among many residential, farm and commercial customers primarily throughout Saskatchewan. In addition, the Corporation maintains Board-approved credit policies and limits in respect to short-term investments and counterparties.

Financial Instruments

The fair value of the Corporation's financial instruments reflect market estimates of the amount that the Corporation would pay or receive to terminate contracts at the end of the year. They are not a result of market transactions. Changes in assumptions, economic conditions and other factors could cause significant changes in the fair value estimates. The following summarizes the fair value of the Corporation's financial instruments at year-end (in millions):

At December 31, 2004	Notional Principal		Fair Value Asset (Liability)		Repricing or Maturity Date
	United States	Canadian	United States	Canadian	
	Dollars	Dollars	Dollars	Dollars	
Cross-currency swaps	\$ 465	\$ 622	\$ (85)	\$ (102)	2008-2022
Foreign exchange collars	3	4	-	-	2005
Natural gas contracts	-	-	-	(4)	2005-2007
Total	\$ 468	\$ 626	\$ (85)	\$ (106)	

At December 31, 2003	Notional Principal		Fair Value Asset (Liability)		Repricing or Maturity Date
	United States	Canadian	United States	Canadian	
	Dollars	Dollars	Dollars	Dollars	
Cross-currency swaps	\$ 345	\$ 468	\$ (23)	\$ (30)	2008-2022
Foreign exchange contracts	17	22	(1)	(2)	2004
Natural gas contracts	-	-	-	4	2004-2005
Total	\$ 362	\$ 490	\$ (24)	\$ (28)	

The following is a comparison of the balance sheet carrying values and fair values of debt, sinking funds and cross-currency swaps:

At December 31	2004		2003	
	Asset (Liability)		Asset (Liability)	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Gross recourse debt	\$ (2,086)	\$ (2,565)	\$ (1,794)	\$ (2,241)
Non-recourse debt	(95)	(106)	(97)	(105)
Sinking funds	140	146	120	125
Cross-currency swaps	(62)	(102)	(22)	(30)

Fair values are determined as follows:

- Long-term debt instruments are valued at year-end market prices for similar instruments;
- Sinking funds and cross-currency swaps are valued at closing year-end market rates; and
- Other financial instruments including cash and short-term investments, accounts receivable and unbilled revenue, accounts payable, accrued liabilities and dividends payable approximate fair value due to the short period to maturity.

16. Commitments and Contingencies (in millions)

- The Corporation has entered into power purchase agreements expected to cost \$4,800 until 2027 and provide approximately 449 MW of generating capacity.
- At 2004 prices, the Corporation also has forward commitments of \$1,656 (2003 - \$1,768) extending until 2024 for future minimum coal deliveries.
- The Corporation has guaranteed \$25 (2003 - \$21) of energy savings to various customers through SaskPower's energy performance contracts. An energy performance contract is a comprehensive facility improvement program designed to enhance the facilities of the customer while permanently reducing utility costs. These guarantees are offset by third party guarantees to SaskPower that ensure the energy savings are realized.
- At year-end, SaskPower through its subsidiary, NorthPoint, has committed to 2005 electricity sales of \$nil (2004 - \$2) and 2005 electricity purchases of \$1 (2004 - \$1).
- The Corporation has issued letters of credit and promissory notes in the amount of \$30 (2003 - \$3). This includes \$27 of guarantees and letters of credit related to electricity trading activities and a \$3 promissory note provided as acceptable credit support for project lenders in respect of litigation relating to contractor claims for the Cory Cogeneration Station.
- SaskPower has various legal matters pending, which in the opinion of management, will not have a material effect on SaskPower's consolidated financial position or results of operations.

17. Net Change in Non-Cash Working Capital (in millions)

	2004	2003
Accounts receivable and unbilled revenue	\$ 8	\$ (6)
Materials, fuel and supplies	(2)	(12)
Other assets	-	2
Accounts payable and accrued liabilities	32	(33)
Accrued interest	6	(4)
	<u>\$ 44</u>	<u>\$ (53)</u>

Included in accounts payable and accrued liabilities are payments of \$52 (2003 - \$30) relating to a long-term service contract and dragline financing arrangement of which \$20 (2003 - \$7) has been deferred and recorded as other assets on the statement of financial position. The payments were classified as financing activities on the statement of cash flows. The deferred asset is being amortized over the remaining life of the long-term coal supply agreement.

18. Joint Ventures (in millions)

- The Corporation, through its subsidiary SaskPower International, holds a 50% interest in an unincorporated joint venture with ATCO Power Canada Ltd. The joint venture owns and operates a 228 MW natural gas-fired cogeneration plant (the "Cory Cogeneration Station") near Saskatoon, Saskatchewan.
- The Corporation holds a 50% interest in Cory Cogeneration Funding Corporation (CCFC). CCFC was incorporated pursuant to *The Business Corporations Act* (Saskatchewan) effective November 19, 1999, and was registered with the Province of Alberta on December 18, 2000. CCFC is a special purpose company established by the Corporation and ATCO Power Canada Ltd. (the Owners) to borrow long-term, non-recourse debt to finance the Cory Cogeneration Station. CCFC will act as agents for the Owners by receiving revenues, disbursing costs (including debt service) and distributing proceeds to the Owners.
- The Corporation holds a 14% interest in Canadian Power Consultants (CPC) with AMEC E&C Services Limited and Acres International Limited, for the purpose of providing services under a consulting contract with Canadian International Development Agency (CIDA).
- The Corporation's interest in joint ventures is summarized below:

	2004	2003
Statement of income		
Revenue	\$ 17	\$ 16
Operating, maintenance and administration	(4)	(4)
Depreciation	(5)	(4)
Interest	(7)	(7)
Income from joint ventures	<u>\$ 1</u>	<u>\$ 1</u>
Statement of financial position		
Current assets	\$ 4	\$ 8
Property, plant and equipment	127	131
Debt issue costs	2	2
Current liabilities	(4)	(4)
Non-recourse long-term debt	(92)	(95)
Other liabilities	(1)	(1)
Investment in joint ventures	<u>\$ 36</u>	<u>\$ 41</u>
Statement of cash flows		
Operating activities	\$ 5	\$ 5
Investing activities	(1)	(12)
Financing activities	(8)	8
(Decrease) increase in cash	<u>\$ (4)</u>	<u>\$ 1</u>

Current assets include cash of \$2 (2003 - \$6) which is only available for use within the joint ventures.

19. Related Party Transactions (in millions)

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year-end are as follows:

	2004	2003
Accounts receivable and unbilled revenue	\$ 7	\$ 3
Accounts payable and accrued liabilities	5	3
Accrued interest	48	44
Revenue	71	49
Expense	50	55
Finance charges	160	157

Other amounts due to/from related parties and the terms of settlement are described separately in these consolidated financial statements and notes thereto.

20. Employees' Future Benefits (in millions)

Defined Benefit Pension Plan

The Corporation sponsors a defined benefit pension plan (the Plan) and uses the balance sheet date as at September 30 as the measurement date. An annual actuarial valuation showed that the Plan had an actuarial deficit of \$35 (2003 - \$53). The improvement in the funded status of the Plan was primarily due to the actual returns earned on the Plan's assets. The calculation of the pension plan deficit is as follows:

	2004	2003
Plan assets		
Fair value, beginning of year	\$ 648	\$ 625
Actual return on plan assets	71	60
Employee and other employer funding contributions	2	2
Benefits paid	(40)	(39)
Fair value, end of year	681	648
Accrued benefit obligation		
Balance, beginning of year	701	672
Current service cost	7	7
Interest cost	43	42
Benefits paid	(40)	(39)
Actuarial loss	5	19
Balance, end of year	716	701
Funded status - Plan deficit	\$ (35)	\$ (53)

For accounting purposes, an asset of \$22 (2003 - \$18) has been recorded in other assets on SaskPower's statement of financial position at December 31, 2004. The difference between the value reported as the funded status of the Plan and the value recorded on SaskPower's statement of financial position is due to the CICA requirement to base the valuation of the Plan for accounting purposes on long-term actuarial assumptions rather than on actual experience. This requirement is based upon the idea of smoothing gains or losses over the estimated average remaining service life of the Plan participants which prevents large swings in net income due to fluctuations in the market value of the Plan.

Below is a reconciliation of the funded status of the Plan and the value of the Plan recorded on SaskPower's statement of financial position. The most significant reconciling item is the unamortized net actuarial loss. This loss is made up of the accumulated difference between the actual returns and obligations of the Plan and the expected returns and obligations of the Plan based upon the long-term actuarial assumptions.

The asset recorded on the statement of financial position represents the surplus based on long-term actuarial assumptions. It does not represent cash or investments held by the Corporation outside of the Plan.

	2004	2003
Funded status – Plan deficit	\$ (35)	\$ (53)
Add unamortized net actuarial loss not yet recorded	64	89
Add unamortized past service costs	–	1
Less unamortized transitional asset resulting from the introduction of Section 3461*	(14)	(19)
Add SaskPower's contributions**	7	–
Defined benefit pension asset recorded in other assets	\$ 22	\$ 18

* Canadian Institute of Chartered Accountants Handbook Section 3461 – employee future benefits.

** SaskPower's contributions made on October 31, 2004.

Applying the same long-term assumptions used to calculate the defined benefit pension asset, the Corporation recorded non-cash pension expense of \$3 (2003 – \$3). This amount was charged to the Corporation's operating, maintenance and administration expense. The following is a summary of the calculation of the pension expense:

	2004	2003
SaskPower's share of the current service cost	\$ 5	\$ 5
Interest cost	43	42
Expected return on plan assets	(44)	(43)
Amortization of net actuarial loss	4	4
Amortization of transitional asset	(5)	(5)
Pension expense recorded in operating, maintenance and administration	\$ 3	\$ 3

The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligation at September 30 are:

	2004	2003
Discount rate	6.25%	6.50%
Expected long-term rate of return on plan assets	7.00%	7.20%
Long-term rate of compensation increases	4.00%	4.00%
Remaining service life (years)	5.13	5.75
Long-term inflation rate	3.00%	3.00%
Assumptions for ad hoc increases (percentage of CPI)	50.00%	50.00%

The actuarial assumptions are based on management's expectations, independent actuarial advice and guidance provided by the CICA. Two of the most significant assumptions are the discount rate and expected long-term rate of return on plan assets. The discount rate has been lowered in 2004 to better reflect the spot yield for high-grade, long-term Canadian corporate bonds. The expected long-term rate of return on plan assets is based upon the asset mix of the Plan and expected returns for each asset class. The decrease from the previous valuation is attributed to lower expected long-term returns in all asset classes except United States equities. The rate of return is calculated as follows:

Asset Class	Percentage of Asset Class	Expected Long-term Rate of Return
Bonds	35%	5.20%
Canadian equities	25%	8.00%
United States equities	12%	8.80%
International equities	28%	8.00%
Weighted average return		7.12%
Less investment expense		0.12%
		7.00%

Defined Contribution Pension Plan

Under the defined contribution pension plan, the Corporation's obligations are limited to the contributions for current services. These contributions are charged to income when made. The net expense for the defined contribution pension plan is as follows:

	2004	2003
Defined contribution pension plan	\$ 7	\$ 7

Other Benefit Plans

Other benefit plans include a defined benefit and a defined contribution severance plan, the supplementary superannuation plan and a voluntary early retirement plan.

	2004	2003
Present value of accrued benefits	\$ (46)	\$ (42)
Accrued benefit liability	(27)	(23)
Benefits paid	(5)	(5)
Expense	9	7

The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligations at September 30 are:

	2004	2003
Discount rate	6.00%	6.25%
Long-term rate of compensation increases	4.00%	4.00%
Remaining service life (years)	11.21	12.17

21. Comparative Figures

Certain amounts for the prior year have been reclassified to conform with current year financial statement presentation.

Five-Year Operating Summary

	2004	2003	2002	2001	2000
Number of Saskatchewan electric customers:					
Residential	306,659	305,685	303,317	301,165	300,250
Farm	66,099	66,868	67,317	67,551	67,821
Commercial	52,911	52,656	52,500	52,358	52,498
Oilfields	11,409	11,180	11,026	10,915	10,716
Power customers	85	87	72	70	70
Reseller	2	2	2	2	2
	439,165	436,478	434,234	432,061	431,357
Total electric sales (GWh)					
Residential	2,484	2,509	2,457	2,386	2,344
Farm	1,350	1,442	1,367	1,386	1,305
Commercial	3,132	3,151	3,461	3,457	3,413
Oilfields	2,165	2,082	1,728	1,640	1,514
Power customers	6,502	6,278	5,722	5,839	6,090
Reseller	1,261	1,287	1,263	1,246	1,240
Saskatchewan electric sales	16,894	16,749	15,998	15,954	15,906
Export sales	1,538	1,761	777	945	1,143
Total electric sales	18,432	18,510	16,775	16,899	17,049
Net electrical energy supplied (GWh)					
Coal	12,302	11,730	11,670	11,711	11,436
Gas	876	1,066	989	798	924
Hydro	2,746	3,416	2,836	2,391	3,046
Wind	35	20	4	—	—
Imports and other	1,531	1,142	1,431	2,127	1,995
Purchased power	2,892	2,952	1,769	1,691	1,691
Gross electrical energy supplied	20,382	20,326	18,699	18,718	19,092
Losses and internal use	(1,950)	(1,816)	(1,924)	(1,819)	(2,043)
Net electrical energy supplied	18,432	18,510	16,775	16,899	17,049
Generating capacity (net MW)					
Coal	1,653	1,653	1,653	1,653	1,658
Gas	539	539	539	374	378
Hydro	853	853	853	853	853
Wind	11	11	6	—	—
Purchased power	449	449	221	221	221
	3,505	3,505	3,272	3,101	3,110
Number of permanent full-time employees					
	2,397	2,376	2,350	2,286	2,192
Transmission lines (km)					
	12,149	12,104	12,026	12,290	12,388
Distribution lines (km)					
	141,408	140,733	140,084	139,460	138,859
	153,557	152,837	152,110	151,750	151,247
Average annual usage per residential customer (kWh)					
	8,048	8,208	8,100	7,923	7,807
Annual peak load (net MW)					
	2,954	2,805	2,800	2,691	2,822
Minimum load (net MW)					
	1,466	1,501	1,413	1,456	1,379
Summer peak load (net MW)					
	2,591	2,666	2,569	2,515	2,440

Five-Year Financial Summary

(in millions)

	2004	2003	2002	2001	2000
Net income:					
Revenue					
Saskatchewan sales	\$ 1,132	\$ 1,104	\$ 1,058	\$ 994	\$ 952
Export sales	97	113	43	109	128
Other	28	26	23	23	21
Total revenue	1,257	1,243	1,124	1,126	1,101
Expense					
Fuel and purchased power	500	502	366	468	384
Operating, maintenance and administration	317	301	286	254	264
Depreciation	189	186	167	158	153
Finance charges	160	152	147	138	129
Taxes	28	29	27	26	24
Total expense	1,194	1,170	993	1,044	954
Income before foreign exchange gains (losses)					
and equity investment income	63	73	131	82	147
Foreign exchange gains (losses)	3	113	6	(43)	(27)
Equity investment income	—	1	—	—	—
Net income	\$ 66	\$ 187	\$ 137	\$ 39	\$ 120
Property, plant and equipment:					
Property, plant and equipment	\$ 5,753	\$ 5,555	\$ 5,171	\$ 4,849	\$ 4,688
Less: Accumulated depreciation	2,529	2,356	2,196	2,043	1,901
	3,224	3,199	2,975	2,806	2,787
Construction in progress	120	61	215	268	97
	\$ 3,344	\$ 3,260	\$ 3,190	\$ 3,074	\$ 2,884
Capital expenditures	\$ 301	\$ 267	\$ 305	\$ 364	\$ 210
Debt at December 31:					
Recourse debt	\$ 2,086	\$ 1,794	\$ 1,910	\$ 1,918	\$ 1,661
Non-recourse debt	95	97	97	91	—
Gross long-term debt	2,181	1,891	2,007	2,009	1,661
Less: Sinking fund balances	(140)	(120)	(121)	(98)	(77)
Long-term debt, net of sinking funds	2,041	1,771	1,886	1,911	1,584
Long-term debt due within one year	(75)	(60)	(153)	—	—
Sinking funds installments due within one year	(18)	(15)	(15)	(15)	(10)
Long-term debt	\$ 1,948	\$ 1,696	\$ 1,718	\$ 1,896	\$ 1,574
Total equity	\$ 1,390	\$ 1,383	\$ 1,365	\$ 1,310	\$ 1,287
Cash flows:					
Cash provided by operating activities	\$ 289	\$ 200	\$ 262	\$ 245	\$ 266
Cash used in investing activities	(289)	(255)	(290)	(361)	(200)
Cash provided by (used in) financing activities	100	(34)	(82)	251	(43)
Increase (decrease) in cash position	\$ 100	\$ (89)	\$ (110)	\$ 135	\$ 23

Corporate Governance

The process and structure used to direct and manage the business affairs of the Corporation, with the objective of enhancing shareholder value, are commonly referred to as corporate governance.

The SaskPower Board of Directors is committed to striving to meet best practice in the area of corporate decision making. To that end, the Corporation undertook an extensive review of corporate governance and put into place detailed documentation of roles and responsibilities between directors and management in 2003.

The Board is committed to continuous improvement in its own operations, as evidenced by a Board and Chair evaluation undertaken in 2004. In addition, it has committed itself to undertaking an annual peer evaluation while also revisiting the terms of reference for each of its four committees. These are mechanisms that better able the Board to appraise its performance and benchmark it against other corporate entities.

Authority

SaskPower is governed by *The Power Corporation Act* and is subject to the provisions of *The Crown Corporations Act, 1993*, which gives the Crown Investments Corporation of Saskatchewan, the holding company for Saskatchewan's commercial Crown corporations, broad authority to set the direction of the Corporation.

Where required by legislation or policy directive, SaskPower submits performance management and investment decisions for review and approval by the Crown Investments Corporation and the provincial cabinet. Through its Chair, who is an outside director, the SaskPower Board of Directors is accountable to the Minister Responsible for SaskPower. The Minister functions as a link between the Corporation and cabinet, as well as the provincial legislature.

Role of Board of Directors

SaskPower's Board of Directors is responsible for setting direction, monitoring and reporting achievement, and analyzing, evaluating and taking corrective action for the Corporation. The Board is responsible for the stewardship of the Corporation in general terms. In meeting this responsibility, the Board works with management to develop and approve the Corporation's strategy, plan, operating goals, annual budget and business plans. It participates in identifying business risk and overseeing the implementation of appropriate systems to achieve a balance between risks incurred and potential returns. The Board met 14 times during fiscal 2004.

Board Composition

SaskPower's Board of Directors is appointed by the Lieutenant-Governor in Council pursuant to *The Power Corporation Act*. The Board consists of nine external directors and two directors appointed as representatives of the IBEW and CEP unions and not related to the management of the Corporation. In 2004, the Board welcomed Patricia Quaroni as Chair and Marty Klyne as Vice-Chair. In addition, four new members were appointed during the year. At year-end there was one vacancy on the Board.

Committees

The Board has four standing committees to assist in discharging specific areas of Board responsibility:

- Audit and Finance Committee
- Governance Committee
- Environment, Occupational Health and Safety Committee
- Human Resources/Compensation Committee

The full terms of reference of each of the committees, as well as the Board of Directors, can be found on the SaskPower website (saskpower.com).

During 2004, the Board also utilized ad hoc committees to assist in developing a new vision statement and to better align the strategic planning process.

Audit and Finance Committee - Chair, Marty Klyne

The Audit and Finance Committee's terms of reference mandate the Committee to assist the Board in meeting its responsibilities with respect to financial reporting, internal controls and accountability. The Committee oversees the risk management reporting of the Corporation and directly interacts with the internal and external auditors. The committee ensures that the Board is provided with financial plans, proposals and information that are consistent with the Corporation's overall strategic plan and public policy objectives. The Committee met 12 times in 2004.

Governance Committee - Chair, Deb Schmidt

The Governance Committee is responsible for the development, review and effectiveness of SaskPower's corporate governance practices. Its duties include monitoring and evaluating Board and individual director performance and the effectiveness of the Board committee structure. The Committee met 10 times in 2004.

Environment, Occupational Health and Safety Committee - Chair, Al Macatavish

The Environment, Occupational Health and Safety Committee is charged with ensuring that the Corporation proactively addresses safety, health and environmental issues and is in compliance with regulatory and statutory requirements. The Committee held four meetings in the fiscal year.

Human Resources/Compensation Committee - Chair, Mel Watson

The Human Resources/Compensation Committee is charged with overseeing SaskPower's human resource strategies, programs and practices. The Committee met seven times in the year.

Governance Practices

Since 2000, SaskPower has worked to benchmark its governance practices with industry best practice, and to position them to be consistent with guidelines set forth by the Board of Governors of the Toronto Stock Exchange (TSX). These guidelines address key areas of effective corporate practice, including identification of responsibility for stewardship of the Corporation and a clear communication of roles and responsibilities between the Board and management. The following scorecard sets out SaskPower governance practice benchmarked against the TSX guidelines. SaskPower has also been monitoring the development of the Sarbanes-Oxley Act in the United States and the response of Canadian regulatory agencies to newer guidelines for governance reporting. SaskPower expects to adapt its reporting practices to meet new guidelines as they evolve in 2005.

TSX Corporate Governance Committee's Guidelines	SaskPower's Corporate Governance Practices	Consistent with TSX Guidelines?
1. The Board should explicitly assume responsibility for the stewardship of the Corporation, and specifically for: (a) The adoption of a strategic planning process.	The Board's terms of reference set out its responsibility to serve as steward of the Corporation. One of the central duties of the Board is working with senior management to approve its strategic plan, operating goals, budget and business plans.	Yes
(b) The identification of the principal risks of the Corporation's business and ensuring the implementation of appropriate systems to manage these risks.	The Board, in conjunction with senior management, identifies principal risks and oversees the implementation and effectiveness of risk management programs, and systems for managing areas of risk.	Yes
(c) Succession planning, including appointing, training and monitoring senior management.	The Human Resources/Compensation Committee of the Board actively monitors the succession planning initiative undertaken by the Corporation and coordinates the annual evaluation of the CEO.	Yes
(d) A communications policy for the Corporation.	Guidelines and policies have been implemented for a variety of communications activities. The Corporation is committed to the values of open communication and transparency in its communications with its shareholder, employees, stakeholders and the public.	Yes
(e) The integrity of the Corporation's internal control and management information systems.	The Audit and Finance Committee is responsible for the oversight of financial reporting brought forward by management, as well as the internal controls and accountability of the Corporation. The Committee regularly reviews the integrity of financial information and risk management reporting systems. The Committee interacts with internal and external auditors in fulfilling this responsibility.	Yes

TSX Corporate Governance Committee's Guidelines	SaskPower's Corporate Governance Practices	Consistent with TSX Guidelines?
2. (a) The Board should be constituted with a majority of individuals who qualify as "unrelated" directors. An unrelated director is a director who is independent of management and is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act with a view to the best interests of the Corporation, other than interests and relationships arising from shareholding.	There are 11 members on the SaskPower Board. The two internal directors are: Larry Braun, President, CEP Local 649; Neil Collins, President, IBEW Local 2067. The other nine members are external unrelated directors. The unrelated directors are: Patricia Quaroni, Chair of the Board, Lawyer and Partner with Olive Waller Zinkhan & Waller; Marty Klyne, Vice-Chair, President and CEO of Saskatchewan Gaming Corporation; Mel Watson, owner of Watson Tractor; Al Macatavish, retired Vice-President of Manitoba Hydro; Deb Schmidt, independent business person; Lyn Kristoff, Vice-President of Finance and Corporate Controller of Saskatchewan Wheat Pool; Sarah Gauthier, Engineer-in-Training; Dr. Michael Mehta, Associate Professor of Sociology University of Saskatchewan; and Cheryl Bauer Hyde, Certified Financial Planner.	Yes
(b) The Board should disclose if the Corporation has a "significant shareholder" and how the Board reflects the interests of shareholders other than the significant shareholders.	SaskPower is a Crown corporation and does not have share capital.	N/A
3. The Board should disclose whether the Board has a majority of unrelated directors with an analysis of how this conclusion was reached.	Nine of the 11 directors are external and unrelated to management. None of the unrelated directors has received remuneration from the Corporation in excess of fees and compensation as directors and committee members of the Corporation and subsidiaries, nor have they engaged in material contracts to perform other services for the Corporation. Associates of one director have done work for the Corporation. The individual director affected, however, had no involvement with or influence over the corporate decision to select the associates. In December 2004, one of the directors assumed the position of President and CEO of the Saskatchewan Gaming Corporation, which is a Treasury Board crown and not subject to the oversight of the Crown Investments Corporation.	Yes

TSX Corporate Governance Committee's Guidelines	SaskPower's Corporate Governance Practices	Consistent with TSX Guidelines?
4. The Board should appoint a committee of directors composed exclusively of outside (i.e. non-management) directors, a majority of whom are unrelated, with the responsibility for proposing to the full Board new nominees to the Board and for assessing directors on an ongoing basis.	Responsibility for proposing new Board nominees and assessing the effectiveness of the Board of Directors is mandated to the Governance Committee. The majority of members of the Governance Committee are outside directors. The sole employee of SaskPower on the Committee, Neil Collins, is a union nominee to the Board.	Yes
5. The Board should implement a process for assessing the effectiveness of the Board as a whole, the committees of the Board and the contribution of individual directors.	The Governance Committee has the responsibility for ensuring the effectiveness of Board decision-making processes. The Governance Committee coordinates a review of the committee structure of the Board, as well as the effectiveness of the Board and individual directors. The latter process is facilitated by an outside consultant who summarizes results of the evaluation for distribution to Board members and the Crown Investments Corporation.	Yes
6. The Board should provide an orientation and education program for new directors.	SaskPower provides an orientation program to new directors, as well as ongoing training opportunities highlighting particular industry-related issues and developments for all Board members. New Board members are provided with extensive orientation materials and a training program facilitated by Crown Investments Corporation.	Yes
7. The Board should examine its size with a view to facilitate more effective decision-making.	The Governance Committee of the Board is charged with the responsibility for reviewing the size of the Board as well as composition and effectiveness of various committees with a view to ensuring effective decision-making processes are in place.	Yes
8. The Board should review the adequacy and form of the compensation of directors to ensure the responsibilities and risks involved in being an effective director are reflected.	SaskPower's parent company, the Crown Investments Corporation, is legally mandated to set the remuneration rate for director fees and reimbursement of director expenses. The Governance Committee of the Board has included director remuneration in its terms of reference. In addition, it has reviewed the Crown Investments Corporation policy on director remuneration.	Yes Yes
9. Board committees should generally be composed of outside (i.e. non-management) directors, a majority of whom are unrelated.	Most committees of the SaskPower Board are composed of a majority of directors who are outside directors and unrelated to the management of the Corporation.	Yes

TSX Corporate Governance Committee's Guidelines	SaskPower's Corporate Governance Practices	Consistent with TSX Guidelines?
10. The Board should appoint a committee responsible for developing the corporation's approach to governance issues and these guidelines.	The Governance Committee of the Board is responsible for developing the Corporation's approach to governance issues and reviewing effectiveness of guidelines and processes.	Yes
11. (a) The Board should develop position descriptions for the Board and for the CEO, involving the definition of the limits to management's responsibilities.	The Board of Directors has established its own terms of reference, as well as position descriptions for individual Board members. A CEO position description was adopted by the Board in 2003, as was a comprehensive delegation of authority to management document.	Yes
(b) The Board should develop the corporate objectives, which the CEO is responsible for meeting.	On an annual basis, the Board of Directors provides the CEO with a mandate itemizing its expectations with respect to the corporate objectives which will be met over the following year. The CEO is evaluated against these expectations. The review is coordinated by the Human Resources Committee of the Board.	Yes
12. The Board should have in place appropriate structures and procedures to ensure that the Board can function independently of management.	The independence of the Board is ensured through the coordination of Board matters by the Chair, who is an outside and unrelated director. At each meeting of the Board of Directors, an in camera session is held where the President and CEO, as well as senior management staff, are excused.	Yes
13. The audit committee of the Board should be composed only of outside directors and its roles and responsibilities should be specifically defined.	The Audit and Finance Committee of the Board is wholly composed of outside directors who are not related to the Corporation. The Committee has terms of reference that set out its roles and responsibilities specifically.	Yes
14. The Board should implement a system, which enables individual directors to engage outside advisers at the expense of the Corporation in appropriate circumstances.	Subject to the written approval of the Chair, an individual director or Board committee may engage outside advisers at the expense of the Corporation in the event there are matters in respect of which they require independent counsel.	Yes



(Left to right): Mel Watson; Larry Braun; Al Macatavish; Lyn Kristoff; Neil Henneberg; Dr. Michael Mehta; Patricia Quaroni; Sarah Gauthier; Neil Collins; Deb Schmidt; Marty Klyne; and Cheryl Bauer Hyde at SaskPower's Grid Control Centre.

SaskPower Board of Directors

(at December 31, 2004)

Patricia Quaroni, LL.B.

Chair of the Board
Lawyer and Partner
Olive Waller Zinkhan & Waller
Regina, Saskatchewan

Cheryl Bauer Hyde, FCUIC, CFP

Certified Financial Planner
Regina, Saskatchewan
Committees: Audit and Finance;
Human Resources/Compensation

Larry Braun

President
CEP Local 649
Saskatoon, Saskatchewan
Committees: Environment, Occupational
Health & Safety

Neil Collins

President
IBEW Local 2067
Estevan, Saskatchewan
Committees: Governance; SaskPower
Shand Greenhouse Board Representative

Sarah Gauthier, B.Sc., B.Sc.E.

Engineer-in-Training
SaskEnergy
Saskatoon, Saskatchewan
Committees: Environment, Occupational
Health & Safety

Marty Klyne

President and CEO
Saskatchewan Gaming Corporation
Regina, Saskatchewan
Committees: Audit and Finance (Chair);
Strategic Issues (Chair)

Lyn Kristoff, CA

Vice-President of Finance and
Corporate Controller
Saskatchewan Wheat Pool
Regina, Saskatchewan
Committees: Audit and Finance; Governance

Al Macatavish

Retired Vice-President
Manitoba Hydro
Winnipeg, Manitoba
Committees: Audit and Finance;
Environment, Occupational Health & Safety
(Chair); Strategic Issues

Dr. Michael D. Mehta, BA, M.E.S., PhD

Associate Professor of Sociology
University of Saskatchewan
Saskatoon, Saskatchewan
Committees: Governance; Environment,
Occupational Health & Safety

Deb Schmidt

Independent Business Person
Yorkton, Saskatchewan
Committees: Governance (Chair);
Human Resources/Compensation;
Strategic Issues

Mel Watson

Owner
Watson Tractor
Regina, Saskatchewan
Committees: Human Resources/Compensation
(Chair)

Neil Henneberg

Corporate Secretary
Crown Investments Corporation
of Saskatchewan
Regina, Saskatchewan

SaskPower Executive Team

(at December 31, 2004)

Pat Youzwa

President and Chief Executive Officer

Myron Gulka-Tiechko

Vice-President
General Counsel and Assistant Secretary

David Hughes

President and Chief Executive Officer
SaskPower International

Bill Hyde

Vice-President
Human Resources

W. Davern Jones

Vice-President and Chief Financial Officer
Corporate and Financial Services

Judy May

Vice-President
Customer Services

Garner Mitchell

Vice-President
Power Production

Rick Patrick

Vice-President
Planning, Environment and Regulatory Affairs

Eric Rankin

Vice-President and Chief Information Officer
Corporate Information and Technology

Kelly Staudt

Vice-President
Transmission and Distribution

Gary Wilkinson

President and Chief Executive Officer
NorthPoint Energy Solutions

* Profiles of Board members can be found at saskpower.com

Glossary

Biogas

Methane created from the decomposition of organic matter such as manure or landfill waste; can be used to power engines to generate heat and electricity.

Biomass

Energy resources derived from organic matter. These include wood, agricultural waste and other living-cell material that can be burned to produce heat energy.

Capacity

The greatest load that can be supplied by a generating unit, power station or an entire provincial grid system.

Carbon Dioxide (CO₂)

One of the greenhouse gases believed to be a cause of global warming. Carbon dioxide is produced in fossil fuel-based electricity generation.

Climate Change

Climate change refers to any change in climate over time, whether due to natural variability or as a result of human activity.

Cogeneration

The simultaneous generation of electricity and useful heat or steam. The heat could be put to use in an industrial process or to heat a facility or community. The electricity could be used by the owner or sold to SaskPower.

Demand

The rate at which electric energy is delivered at a given instant or averaged over a period of time. It is measured in kilowatts, megawatts, etc.

Distributed Generation

The process of producing electrical power on a small scale at a consumer's site.

Distribution

Process of moving electric energy at lower voltages from major substations to customers.

Electrostatic Precipitator

A device for removing particulates of ash, dust, smoke and other elements from air and gas flows.

Environmentally Preferred Power (EPP) Program

A SaskPower initiative designed to assist in meeting new load growth requirements until 2010 with no new greenhouse emissions. Independent Power Producers may sell SaskPower electricity generated through eligible technologies, including wind, low-impact hydro, biomass, solar, flare gas, and heat recovery from existing sources.

Flyash

Fine residue resulting from the combustion of pulverized coal used in many coal-fired generating stations.

Gigawatt (GW)

A unit of bulk power; one billion watts or one million kilowatts.

Gigawatt Hour (GWh)

A unit of bulk energy; 1,000,000 kilowatt hours.

Greenhouse Gases

Naturally occurring gases such as carbon dioxide, methane and nitrous oxide that trap heat in the earth's lower atmosphere.

GreenPower

SaskPower customers can buy EcoLogo certified renewable energy through the GreenPower program. This is an additional cost over the regulated electricity rate, to cover the higher cost of generation.

Green Power Portfolio

A SaskPower strategy to meet new electricity supply requirements for the period 2003 to 2010 using environmentally friendly sources, whose operations do not add to greenhouse gas emissions. The strategy includes the development of additional wind power generation, environmentally preferred power projects, and community energy efficiency pilot projects.

ISO 14001

The ISO 14000 series is a family of environmental management standards developed by the International Organization for Standardization.

Kilowatt Hour (kWh)

A unit of bulk energy; 1,000 watt hours. The measurement is generally used for billing residential customers.

Kyoto Protocol

An international agreement to reduce greenhouse gas emissions, ratified by the federal government in 2002.

Load

The amount of electric power or energy consumed by a particular customer or group of customers.

Megawatt (MW)

A unit of bulk power; 1,000 kilowatts. The unit generally used to describe the output of a commercial generator.

Megawatt Hour (MWh)

A unit of bulk energy; 1,000 kilowatt hours.

Nitrogen Oxides (NO_x)

Nitrogen oxides is the term used to describe the sum of nitric oxide (NO) and nitrogen dioxide (NO₂) gases. The major source of human-made NO_x emissions is high temperature combustion processes, such as those occurring in automobiles and fossil-fuel power plants.

OATT

Open Access Transmission Tariff. The SaskPower OATT allows eligible users to access our transmission system to transport electricity to wholesale customers within Saskatchewan or across the province to other jurisdictions. The OATT also ensures SaskPower can access the transmission systems of other utilities.

Particulates

Emissions of ash particles from the burning of fossil fuels.

Peak Load Demand or Peak Energy Demand

The maximum amount of electric power or energy consumed by a particular customer or group of customers at a precise time.

SAP

Stands for Systems, Applications and Products in Data Processing. A software solution that supports integrated business processes.

Sulphur Dioxide (SO₂)

Sulphur dioxide belongs to the family of sulphur oxide (SO_x) gases. These gases are formed when fuel containing sulphur (mainly coal and oil) is burned at power plants and during industrial processes.

Switching Station

A facility containing transformers, regulators, switches and protective equipment for changing transmission voltages between transmission lines.

Transformer

A device that raises or lowers voltages.

Transmission

Process of moving electric power in bulk at higher voltages from the source of supply to distribution centres.

Volt (V)

The unit of measurement of electrical pressure or force which causes electric current to flow.

Watt (W)

The unit of measurement of electrical power.

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annual report, please visit our web site or contact

SaskPower Communications and Public Affairs by phone

(306-566-3170) or fax (306-566-2548)



Five-Year Financial Summary

	2004	2003	2002	2001	2000
Net income					
Revenue					
Saskatchewan sales	\$ 1,132	\$ 1,104	\$ 1,058	\$ 994	\$ 952
Export sales	97	113	43	109	128
Other	26	26	23	23	21
Total revenue	1,257	1,243	1,124	1,126	1,101
Expense					
Fuel and purchased power	500	502	386	468	384
Operating, maintenance and administration	317	301	286	254	264
Depreciation	189	186	167	158	153
Finance charges	160	152	147	138	129
Taxes	28	29	27	26	24
Total expense	1,194	1,170	993	1,044	954
Income before foreign exchange gains (losses) and equity investment income	63	73	131	82	147
Foreign exchange gains (losses)	3	113	6	(43)	(27)
Equity investment income	—	1	—	—	—
Net income	\$ 66	\$ 187	\$ 137	\$ 39	\$ 120
Property, plant and equipment:					
Property, plant and equipment	\$ 5,753	\$ 5,555	\$ 5,171	\$ 4,849	\$ 4,688
Less: Accumulated depreciation	2,529	2,356	2,196	2,043	1,901
	3,224	3,199	2,975	2,806	2,787
Construction in progress	120	61	215	268	97
	\$ 3,344	\$ 3,260	\$ 3,190	\$ 3,074	\$ 2,884
Capital expenditures	\$ 301	\$ 267	\$ 305	\$ 364	\$ 210
Debt at December 31:					
Recourse debt	\$ 2,086	\$ 1,794	\$ 1,910	\$ 1,916	\$ 1,661
Non-recourse debt	95	97	97	91	—
Gross long-term debt	2,181	1,891	2,007	2,009	1,661
Less: Sinking fund balances	(140)	(120)	(121)	(98)	(77)
Long-term debt, net of sinking funds	2,041	1,771	1,886	1,911	1,584
Long-term debt due within one year	(75)	(60)	(153)	—	—
Sinking funds installments due within one year	(16)	(15)	(15)	(15)	(10)
Long-term debt	\$ 1,848	\$ 1,696	\$ 1,718	\$ 1,896	\$ 1,574
Total equity	\$ 1,390	\$ 1,363	\$ 1,365	\$ 1,310	\$ 1,287
Cash flows:					
Cash provided by operating activities	\$ 289	\$ 200	\$ 262	\$ 245	\$ 266
Cash used in investing activities	(289)	(255)	(290)	(361)	(200)
Cash provided by (used in) financing activities	100	(34)	(62)	251	(43)
Increase (decrease) in cash position	\$ 100	\$ (89)	\$ (110)	\$ 135	\$ 23

 SaskPower

2004

SaskPower
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Five-Year Financial Summary (in millions)

	2004	2003	2002	2001	2000
Net income					
Revenue					
Saskatchewan sales	\$ 1,132	\$ 1,154	\$ 1,056	\$ 944	\$ 762
Export sales	97	113	40	109	560
Other	29	20	20	162	15
Total revenue	1,257	1,287	1,116	1,215	1,337
Expense					
Fuel and purchased power	500	560	360	460	1,040
Operating, maintenance and administration	217	260	280	338	1,049
Depreciation	189	196	161	155	1,000
Finance charges	180	150	141	140	120
Taxes	28	26	17	35	24
Total expense	1,194	1,292	959	1,088	3,233
Income before foreign exchange gains (losses) and equity investment income	63	105	157	127	104
Foreign exchange gains (losses)	3	(1)	1	(2)	(2)
Equity investment income	—	—	—	—	—
Net income	\$ 66	\$ 104	\$ 158	\$ 125	\$ 102
Property, plant and equipment					
Property, plant and equipment	\$ 5,753	\$ 5,510	\$ 5,071	\$ 4,645	\$ 4,140
Less: Accumulated depreciation	2,529	2,736	2,786	2,561	1,907
	3,224	2,774	2,285	2,084	2,233
Goodwill and intangibles	120	111	170	200	27
	\$ 3,344	\$ 2,885	\$ 2,455	\$ 2,284	\$ 2,260
Capex expenditures	\$ 301	\$ 250	\$ 200	\$ 165	\$ 100
Debt at December 31:					
Reserve debt	\$ 2,066	\$ 1,764	\$ 1,561	\$ 1,394	\$ 1,447
Non-reserve debt	95	67	57	61	—
Short-term debt	2,161	1,831	1,618	1,455	1,447
Less: Borrowing facilities	(140)	(129)	(120)	(120)	—
Long-term debt less borrowing facilities	2,021	1,702	1,498	1,335	1,447
Long-term debt due within one year	(75)	(60)	(55)	(55)	—
Borrowing facilities maturing within one year	(18)	(20)	(15)	(15)	—
Long-term debt	\$ 1,948	\$ 1,622	\$ 1,428	\$ 1,265	\$ 1,447
Total equity	\$ 1,390	\$ 1,257	\$ 1,160	\$ 1,080	\$ 1,000
Cash flows:					
Cash provided by operating activities	\$ 289	\$ 300	\$ 346	\$ 141	\$ 160
Cash used in investing activities	(289)	(250)	(200)	(165)	(100)
Cash provided by financing activities	100	104	158	125	102
Change in cash and cash equivalents	\$ 100	\$ 154	\$ 204	\$ 101	\$ 162

 **SaskPower**

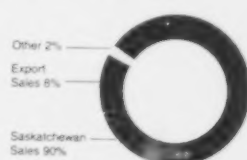
SaskPower
Annual Report

Financial and Operating Highlights

In 2004, SaskPower posted a consolidated net income of \$66 million and declared \$59 million in dividends to the Crown Investments Corporation of Saskatchewan. SaskPower's revenue increased due to higher provincial sales revenue as a result of the impact of a rate increase. Total expense was up due to increases in operating and maintenance costs, finance charges and depreciation. Fuel costs decreased slightly but remained at near record high levels.

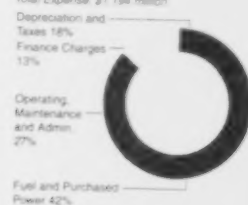
2004 Revenue

Total Revenue: \$1,257 million



2004 Expense

Total Expense: \$1,194 million

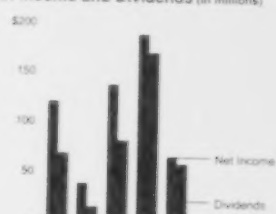


2004 Generation Capacity (net MW)

Total Generation Capacity: 3,505 MW



Net Income and Dividends (in millions)



Five-Year Operating Summary

	2004	2003	2002	2001	2000
Number of Saskatchewan electric customers:					
Residential	308,659	305,685	303,317	301,165	300,250
Farm	66,099	66,868	67,317	67,551	67,821
Commercial	52,911	52,656	52,500	52,358	52,498
Oilfields	11,408	11,180	11,026	10,915	10,716
Power customers	85	87	72	70	70
Reseller	2	2	2	2	2
	439,165	436,478	434,234	432,061	431,357
Total electric sales (GWh)					
Residential	2,484	2,509	2,457	2,386	2,344
Farm	1,350	1,442	1,367	1,386	1,305
Commercial	3,132	3,151	3,461	3,457	3,413
Oilfields	2,165	2,082	1,728	1,640	1,514
Power customers	6,502	6,278	5,722	5,839	6,090
Reseller	1,281	1,287	1,263	1,246	1,240
Saskatchewan electric sales	16,894	16,749	15,998	15,954	15,906
Export sales	1,538	1,761	777	945	1,143
Total electric sales	18,432	18,510	16,775	16,899	17,049
Net electrical energy supplied (GWh)					
Coal	12,302	11,730	11,670	11,711	11,436
Gas	876	1,066	989	798	924
Hydro	2,746	3,416	2,836	2,391	3,046
Wind	35	20	4	-	-
Imports and other	1,531	1,142	1,431	2,127	1,995
Purchased power	2,892	2,952	1,769	1,691	1,691
Gross electrical energy supplied	20,382	20,326	18,699	18,718	19,092
Losses and internal use	(1,950)	(1,816)	(1,924)	(1,819)	(2,043)
Net electrical energy supplied	18,432	18,510	16,775	16,899	17,049
Generating capacity (net MW)					
Coal	1,653	1,653	1,653	1,653	1,658
Gas	539	539	539	374	378
Hydro	853	853	853	853	853
Wind	11	11	6	-	-
Purchased power	449	449	221	221	221
	3,505	3,505	3,272	3,101	3,110
Number of permanent full-time employees					
	2,397	2,376	2,350	2,286	2,192
Transmission lines (km)					
	12,149	12,104	12,026	12,290	12,388
Distribution lines (km)					
	141,408	140,733	140,084	139,460	138,859
	153,557	152,837	152,110	151,750	151,247
Average annual usage per residential customer (kWh)					
	8,048	8,208	8,100	7,923	7,807
Annual peak load (net MW)					
	2,954	2,805	2,800	2,691	2,822
Minimum load (net MW)					
	1,466	1,501	1,413	1,456	1,379
Summer peak load (net MW)					
	2,591	2,666	2,565	2,515	2,440

1929

Saskatchewan Power Commission established and begins operating its first generating station.

1930

Over 1,600 kilometres of transmission lines constructed to serve 95 communities.

1949

Newly created Crown - Saskatchewan Power Corporation - given mandate to begin rural electrification program.

Our History is Electric

In 1929, the Saskatchewan Power Commission began what would be an exceptional journey, bringing electricity to customers across a vast geographic expanse. Early development included construction of a 10,000 kilowatt station in Saskatoon, as well as the purchase of municipal and private systems in places like Humboldt, Wynyard, Wadena and Shellbrook.

Over the next 75 years, SaskPower would look to coal, natural gas, water and wind to drive the growth of our entire province. An unparalleled system of transmission and distribution lines reached out to cities, towns, villages and farms. And within just one decade, through a pioneering rural electrification program, power became accessible to 90 per cent of Saskatchewan's widely-dispersed agricultural community.

Today, SaskPower operates one of the largest service areas in Canada. With more than 439,000 customers, we possess the most extensive network of transmission and distribution lines of any Canadian utility, along with the largest rural underground distribution system in the country. We manage a net generating capacity of 3,505 megawatts (MW), with the focus of recent additions on environmentally sustainable and renewable energy sources.

Financial and Operating Highlights

In 2004, SaskPower posted a consolidated net income of \$66 million and declared \$59 million in dividends to the Crown Investments Corporation of Saskatchewan. SaskPower's revenue increased due to higher provincial sales revenue as a result of the impact of a rate increase. Total expense was up due to increases in operating and maintenance costs, finance charges and depreciation. Fuel costs decreased slightly but remained at near record high levels.

2004 Revenue

Total Revenue \$1,200 million



2004 Expense

Total Expense \$1,140 million

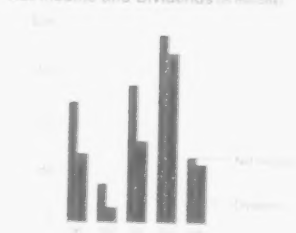


2004 Generation Capacity (net MW)

Total Generation Capacity 3,500 MW



Net Income and Dividends (in millions)



Five-Year Operating Summary

	2004	2003	2002	2001	2000
Number of Saskatchewan electric customers					
Residential	306,659	305,685	303,317	301,185	300,245
Commercial	66,099	66,498	67,317	67,581	67,427
Industrial	52,911	52,956	52,900	52,348	52,436
Other	11,409	11,140	11,030	10,910	10,716
Power customers	85	87	82	78	75
Other	2	2	2	2	2
Total electric sales (GWh)	439,165	439,478	434,234	430,197	431,277
Residential	2,484	2,409	2,427	2,398	2,342
Commercial	1,350	1,442	1,397	1,386	1,375
Industrial	3,132	3,151	3,465	3,421	3,413
Other	2,165	2,082	1,728	1,840	1,514
Power customers	6,502	6,278	5,722	5,800	5,790
Other	1,261	1,287	1,243	1,248	1,230
Saskatchewan electric sales	16,894	16,745	16,398	16,354	16,926
Export sales	1,538	1,761	777	940	1,147
Total electric sales	18,432	18,506	17,175	17,294	18,073
Net electrical energy supplied (GWh)					
Coal	12,302	11,730	11,075	11,711	11,425
Gas	876	1,706	888	748	1,074
Hydro	2,746	3,419	2,834	2,381	3,046
Wind	35	28	4	1	1
Imports and other	1,531	1,142	1,431	2,120	1,990
Electricity power	2,892	2,957	1,703	1,140	1,631
Gross electrical energy supplied	20,382	20,944	18,694	18,961	19,066
Losses and internal use	(1,950)	(1,815)	(1,524)	(1,667)	(2,043)
Net electrical energy supplied	18,432	19,129	17,170	17,294	17,023
Generating capacity (net MW)					
Coal	1,653	1,455	1,854	1,703	1,404
Gas	539	539	536	274	379
Hydro	653	850	453	463	330
Wind	11	11	4	1	1
Purchased power	449	449	227	321	321
Total	3,505	3,504	3,074	2,762	2,435
Number of permanent full-time employees					
	2,397	2,377	2,300	2,288	2,132
Transmission lines (km)					
	12,149	12,104	12,024	12,290	12,386
Distribution lines (km)					
	141,408	140,733	140,084	139,481	138,854
Total	153,557	152,837	152,108	151,771	151,240
Average annual usage per residential customer (kWh)					
	8,048	8,209	8,100	7,959	7,807
Annual peak load (net MW)					
	2,954	2,805	2,430	2,640	2,602
Minimum load (net MW)					
	1,466	1,501	1,415	1,406	1,370
Summer peak load (net MW)					
	2,591	2,688	2,509	2,540	2,347



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1992

New Shand Power Station wins award for advanced environmental design.

2000

First Canadian electric utility to achieve ISO 14001 environmental certification.

2002

Cypress Wind Power Facility commissioned.

2004

SaskPower celebrates 75 years of service.

Generation

Hydroelectric

- 1 Athabasca Hydroelectric System - 23 MW
 - Wellington (5 MW)
 - Waterloo (8 MW)
 - Charlton River (10 MW)
- 2 Island Falls Hydroelectric Station - 101 MW
- 3 E. B. Campbell Hydroelectric Station - 288 MW
- 5 Nipawin Hydroelectric Station - 255 MW
- 10 Colasau Creek Hydroelectric Station - 186 MW

Natural Gas

- 5 Meadow Lake Power Station - 44 MW
- 7 Landis Power Station - 79 MW
- 8 Queen Elizabeth Power Station - 306 MW
- 10 Success Power Station - 30 MW

Wind

- 12 Rushlake Creek Wind Power Project - 150 MW (under construction)
- 14 Cypress Wind Power Facility - 11 MW

Coal

- 15 Poplar River Power Station - 562 MW
- 16 Boundary Dam Power Station - 812 MW
- 17 Shand Power Station - 279 MW

Independent Power Producer

- 3 Meridian Cogeneration Station - 210 MW
- 9 Cory Cogeneration Station - 228 MW
- 11 SunBridge Wind Power Project - 11 MW

Transmission

- 230 kV
- 138 kV
- - - 138 kV line operating at 72 kV
- Switching Station
- ↔ Interconnection



1959

First centralized generating stations commissioned (Boundary Dam and Queen Elizabeth).

1961

Rural electrification nearly complete, with 58,000 farms connected by 90,000 kilometres of single-wire line.

1963

First hydroelectric station opens (E.B. Campbell). New Head Office opens in Regina.

1969

A subsidiary – North-Sask Electric Ltd. – is created to enhance service in Saskatchewan's North.

1985

Third power utility in Canada to use fibre optic technology.

Our Future is Powerful

At SaskPower, we know that over 75 years, people have come to count on us. They expect and deserve a high level of service that complements the economic and social growth of their province. That's why we strive to work closely with customers, communities and partners as we build a shared future around our corporation's mission: delivering power in a safe, reliable, cost-effective and environmentally responsible manner. In 2004, SaskPower set a strategic course for another 75 years of service excellence with a number of important initiatives:

- Extensive rebuild and life extension projects costing over \$46 million at Boundary Dam Power Station, Poplar River Power Station and Nipawin Hydroelectric Station
- More than \$50 million spent on the construction of new customer connections across the province
- Start of construction on a 150-MW wind power project at Rushlake Creek in southwestern Saskatchewan
- An international mercury emissions capture project demonstrating an activated carbon injection system at Poplar River Power Station
- Multimillion dollar improvements across the system with substation enhancements, in addition to the replacement of wood poles, transformers, and communication, protection and control equipment
- The first phase of a demonstration project using biogas to fuel microturbines near Cudworth, Saskatchewan
- Three projects selected for the first year of the Environmentally Preferred Power (EPP) Program
- A province-wide informational campaign to help customers conserve electricity
- A workforce profile to develop diversity targets for the Corporation
- A centralized Corporate Safety Department

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 **SaskPower**

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First Canadian electric utility to achieve ISO 14001 environmental certification.

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2004

SaskPower celebrates 75 years of service.

Generation

Hydroelectric

- ① Athabasca Hydroelectric System - 23 MW
 - Wapitani (5 MW)
 - Watnotai (8 MW)
 - Charlot River (10 MW)
- ② Island Falls Hydroelectric Station - 101 MW
- ③ E. B. Campbell Hydroelectric Station - 288 MW
- ④ Nipawin Hydroelectric Station - 255 MW
- ⑤ Coteau Creek Hydroelectric Station - 186 MW

Natural Gas

- ⑥ Meadow Lake Power Station - 44 MW
- ⑦ Loris Power Station - 79 MW
- ⑧ Queen Elizabeth Power Station - 386 MW
- ⑨ Success Power Station - 130 MW

Wind

- ⑩ Rush Lake Creek Wind Power Project - 100 MW (under construction)
- ⑪ Cypress Wind Power Facility - 11 MW

Coal

- ⑫ Poplar River Power Station - 562 MW
- ⑬ Boundary Dam Power Station - 812 MW
- ⑭ Shand Power Station - 275 MW

Independent Power Producer

- ⑮ Meridian Cogeneration Station - 210 MW
- ⑯ Cory Cogeneration Station - 228 MW
- ⑰ SunBridge Wind Power Project - 11 MW

Transmission

- 50 kV
- 138 kV
- - - 138 kV line operating at 72 kV
- Switching Station
- ↔ ↔ Interconnection



1959

First centralized
generating station
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(Boundary Dam and
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1961

First electrification
line to Regina, with
5,000 km. 100 ft. span
by 20,000 kilometres of
cable and line.

1963

First hydroelectric
station opens (E.S.
Campbell). New Head
Office opens in Regina.

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 **SaskPower**

